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Sudan: fears that history may repeat itself, Page 16

World news | Business summary

Spain and U.S. play down differences

The U.S. and Spain announced a "broad overall review" of their military relationship but agreed to disagree over Nicaragua which has had a trade embargo imposed on it by Washington.

Both sides played down differences over Central America and the future of U.S. bases in Spain – the two most contentious issues during President Reagan's visit.

However, Spain's differences with the U.S. on Nicaragua will be highlighted at the weekend when President Daniel Ortega of Nicaragua is due to visit Madrid on his way back from Eastern Europe. Page 18

Shells hit Beirut

Beirut suffered its heaviest fighting in more than a year. About 2,500 shells hit east Beirut killing five people. In Moslem Beirut nine people were reported killed and 50 wounded during the 15-hour artillery bombardment. Page 3

Greek elections

Greece's parliament was dissolved, paving the way for elections on June 2, after deputies gave a second vote of approval to controversial constitutional changes proposed by the ruling Socialists. Page 2

Polish hunger strike

A group of 26 young Polish exiles began a one-week hunger strike outside the Polish Embassy in Cologne to press for the release of jailed members of the banned Solidarity trade union.

Indian curfew

Indian authorities clamped a curfew on Dhariwal town in Punjab state after two Hindus were shot dead by Sikh extremists and Hindus retaliated by stoning Sikh shops.

South Africa protest

The death of a leading black South African trade union official shortly after he was released from custody has caused protests. Page 3

Protesters held

More than 20 anti-apartheid demonstrators were arrested outside the South African embassy and another group staged a sit-in at the Washington office of a foreign exchange and precious metals company that sells South African krugerrands.

Belgium seizes ship

Belgian authorities seized Sirius, the flagship of environmental pressure group Greenpeace. Shipowners plan to sue for compensation, saying Sirius blocked Antwerp port over the weekend to prevent toxic waste dumping.

Nicaragua rebel fund

The Washington Times launched a campaign to collect $14m for Nicaraguan rebels fighting the left-wing Nicaragua Government.

Marines missing

Seventeen U.S. marines whose helicopter crashed into the sea off southern Japan were presumed dead and the search for survivors called off.

Pit blast kills 8

Eight miners died and 17 workers were trapped in an explosion in a coalmine in northern Moravia, the Czechoslovak news agency said.

Afghan suicides

Afghanistan claimed that about 24 rebelling Soviet and Afghan prisoners blew themselves up near Peshawar rather than surrender to their guerrilla captors.

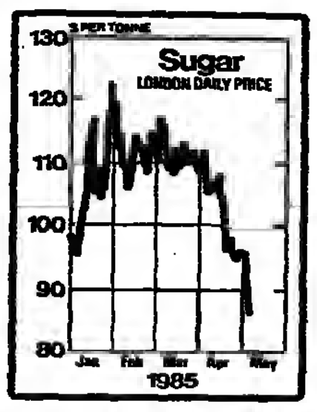
Mengele reward

Israel is offering a reward of $1m for information leading to the capture of Nazi death camp doctor Josef Mengele, who is believed to be living in Paraguay.

Uniroyal agrees to $750m buyout

UNIROYAL, the fourth largest U.S. tyre manufacturer, has agreed to a $750m leveraged buyout to thwart the unwelcome takeover bid from Mr Carl Icahn, the New York financier. The company has agreed to a $22 a share cash offer from Clayton & Dubilier, a private investment group compared with Mr Icahn's $16 a share bid for majority control. Page 18

WALL STREET: The Dow Jones industrial average closed up 4.97 at 1,252.76. Section III



SUGAR prices dropped to their lowest for 15 years on the London terminal market, with raw sugar falling $5.5 to $86 a tonne. Selling was prompted by the build-up of surplus stocks and "bearish" chart forecasts. Page 36

DOLLAR fell in nervous London trading, closing at DM 3.1685 (DM 3.2185), FFr 9.65 (FFr 9.805), SwFr 2.6605 (SwFr 2.7095) and Y252.85 (Y253.85). On Bank of England figures the dollar's index fell to 148.8 from 149.5. In New York it was DM 3.177, SwFr 2.6675, FFr 9.675 and Y253.15. Page 37

STERLING rose a cent against the dollar in London to $1.218. It also rose to Y307.0 (Y306.75) but was weaker at DM 3.8575 (DM 3.89); FFr 11.755 (FFr 11.8575) and SwFr 3.25 (SwFr 3.2775). The pound's exchange rate index fell 0.4 to 77.2. In New York it was $1.2198. Page 37

GOLD rose $1.75 on the London bullion market to finish at $314.50. It was also higher in Zurich at $313.50. In New York the Comex June settlement was $316.50. Page 36

LONDON: Money supply figures hit gilts while late rally in sterling affected international equities. The FT Ordinary index ended 4.1 down at 985.5. Section III

TOKYO shares were unsettled by lack of institutional investors and the Nikkei-Dow market average fell 38.95 to 12,506.30. Section III

SYDNEY industrials took the All-Ordinaries to a record high with a gain of 3.1 to 878.2. Section III

U.S. ECONOMY will not achieve the Administration's 4 per cent real growth target this year, but if Congress acts to cut the federal budget deficit, output might expand "strongly" in the second half of 1985, U.S. Commerce Department Secretary Malcolm Baldrige said. Page 4

U.S. SECURITIES and Exchange Commission filed suit against Parr Securities, a small U.S. Government bond dealer, alleging violation of securities laws and fraud involving millions of dollars. Page 4

AMERICAN EXPRESS, the U.S. financial services group, will test the Samurai bond market by launching a Y10bn, 10-year issue in June. Page 22

TURNER Broadcasting System (TBS), Atlanta-based U.S. television group making a hostile bid for CBS, one of the top three U.S. TV networks, slipped back into the red in the first quarter with a $741,000 loss against $2m profit in the 1984 fourth quarter.

MR RUPERT MURDOCH, the Australian media tycoon, who is expected to apply for U.S. citizenship, is likely to fight hard to retain control of his Channel 10 TV licences in Sydney and Melbourne. Page 22

EEC in standards shift to tackle internal barriers

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community yesterday took a decisive step towards breaking down internal trade barriers by adopting a wholly new approach to the setting of product standards.

Trade ministers decided that goods would be able to move freely from one country to another if they met basic safety and health standards set at European level.

"If we're going to get a single internal market – going to integrate the ten economies – we've got to remove the obstacles. And obstacles are set up by different national standards – they're some of the most important non-tariff barriers to trade," said Britain's Lord Cockfield, the Commissioner in charge of the internal market.

With its decision the Community has abandoned the wearisome approach of trying to adopt common technical standards product by product. Some of these standards have been taking a decade to draw up.

It has instead decided to short-circuit the whole process by simply specifying a Community norm for health and safety while leaving national standards institutions to draw up the technical specifications.

While the new procedures have no built-in deadlines for agreement, they greatly limit the scope for the technical haggling which made the old approach so protracted. Once a general Community standard has been adopted, there can be no pretext for a nationally designed non-tariff barrier and the introduction of any national specifications is left purely optional.

The first of the new style draft directives with a Community standard confined to basic requirements will be presented next month. The commission is concentrating first in its new standards work programme on mechanical engineering and in particular pressure vessels and machine tools.

That will be accompanied by further draft directives on construction and electro-medical equipment as well as radio interference equipment.

The basic standards will be drawn up by the Commission, to cover groups of related products, on the advice of technical experts. They will then go to the European Parliament and then to the Council of Ministers for final decision.

Once the general standard has been adopted, the national technical specifications for a product have to observe the new Community norm. Once settled, these national specifications go to a standing committee, made up of representatives and chaired by the Commission.

Any member state with objections to what is decided in another has three months to make its point. The committee then considers the matter and can reach its advisory conclusion on a qualified majority. It is the watchdog of the whole procedure, but the Commission makes the final decisioo.

Discussion among ministers yesterday concentrated on settling the relative roles of the Commission and the committee. Concern that the Commission might seek to accumulate too powerful a role melted when the Commission agreed that it would not act against the prevailing trend of opinion.

"In the long run the decision could be very important indeed," commeoted Mr Paul Channon, the UK Minister for Trade. "In the short term we have to have some form of mutual acceptability of standards so that the Community can start functioning as a proper market. Differing standards have been a considerable obstacle."

Ten resist U.S. bid for omnibus talks on steel

BY OUR BRUSSELS STAFF

THE EUROPEAN Community is resisting an attempt by the Reagan Administration to sweep up a squabble over steel pipe and tube sales into a wider negotiation which could have the effect of further restricting EEC steel shipments to the U.S.

Transatlantic tension over the steel trade has risen in the face of the Reagan Administration's informal proposals to put together in one basket what are considered in Brussels to be three separate issues:

- The EEC demand for higher pipe and tube sales to meet existing contracts by invoking a "short supply" clause of an agreement which holds in this sector EEC sales to 7.6 per cent of the U.S. market.
- The American demand for an early renegotiation of the 1982 carbon steel agreement, which expires at the end of this year and broadly holds EEC sales to 5.4 per cent of the U.S. market.
- The U.S. demand to include in this renegotiation some 17 products which hitherto have been outside it, including semi-finished steel, and which over recent months have been the subject of consultations between the two sides.

Rising tension in the steel sector, a source of dispute between the EEC and the U.S. since the mid-1960s, could have significant repercussions oo the diplomatic contacts between the two sides over a new round of international trade liberalisation talks.

The catalyst for renewed friction is the existence of contracts between EEC suppliers, largely in France and West Germany, to supply pipes to the All American Pipeline, destined to carry oil between California and Texas.

A sales restraint agreement on pipes and tubes provides that where there is short supply, EEC steelmakers may be granted larger quotas. So far the Reagan Administration has refused to acknowledge a state of short supply.

The European Commission has demanded minimum sales of 110,000 tonnes of pipes. This demand was pushed in Washington a fortnight ago by M Jacques Delors, the Commission President, and urged on Mr George Shultz, the Secretary of State, at last week's Bonn economic summit. But Mr Shultz left the impression with European officials that he was not well-briefed on the issue.

A definite decision from Washington is expected this week. Officials believe the Reagan Administration could only sanction 60,000 tonnes.

Because the U.S. steel industry is believed not to be in a position to make deliveries to the pipeline until the summer, this would leave the way open to Canadian suppliers to fill the gap. In the view of Brussels officials this would be a declaration of war.

The Commission is making it clear to the Reagan Administration that only in the event of a satisfactory solution to the pipe issue would it be prepared to propose to the EEC Council of Ministers an early renegotiation of the 1982 carbon steel agreement.

But the Commission has not specified to the U.S. what scope of renegotiatioo might be acceptable. The 1982 agreement provided for the U.S. to request consultations on shipments of 17 products if it believed that sales of them in the U.S. markedly increased.

It has been talking to the EEC about the rise of semi-finished product sales. The Commission is holding out against the inclusion of such products in any new agreement.

Caterpillar to expand in Europe

BY PAUL BETTS IN PARIS

CATERPILLAR Tractor, the world's leading construction equipment maker, is shifting considerable production from its U.S. base to plants in Europe and has chosen its Leicester, England, plant to make its first range of backhoe loaders.

Caterpillar has suffered heavy losses in the past three years, partly because exports from its U.S. plants have been badly hurt by the strength of the dollar. The decision to shift more production to European plants is part of a programme to cut costs and return the group to profitability this year.

Among the moves:

- The company's plant at Glasgow in Scotland is to increase its output of crawler tractors (bulldozers) and become the source of transmissions for machines made at all Caterpillar's European factories.
- A BFr 4bn to BFr 4.5bn ($62.5m-$70.3m) investment programme is planned at the Gosselies plant in Belgium, mainly to increase its output of diesel engines.
- Production will also be increased at the tractor and loader plant at Grenoble and the foundry at Vernon, both in France.

Mr Donald Fites, Caterpillar's new executive vice-president for marketing and sales, in Paris for a construction equipment exhibition, said these moves were not based only on current exchange rate considerations. "This kind of decision is not taken lightly. It is a long-term and significant commitment."

Mr Fites also warned that the company would continue to challenge any indications of unfair trading from Japanese competitors. Three months ago it joined several European makers of hydraulic excavators in an anti-dumping suit against Japanese suppliers. He claimed that a disturbing price trend was already developing in U.S. excavator and wheel loader markets and said the company would have "no qualms" about joining or leading an anti-dumping challenge in tha U.S.

Caterpillar's decision to enter the backhoe loader market appears to have been based on the hope that demand for smaller construction equipment may be stronger than for the heavy plant that has been the company's strength. However, Cat will face tough competition from the two world leaders in the backhoe loader sector, J.I. Case of the U.S. and J.C. Bamford Excavators of Britain.

Massey-Ferguson improves, Page 6; Paving way for return to profits, Page 20

British money supply soars above target

BY MAX WILKINSON IN LONDON

BRITAIN'S money supply rose far beyond its target range in April, dealing a severe blow to prospects for a reduction in UK interest rates.

The Bank of England estimated yesterday that the broad measure of money, sterling M3, increased by between 2¾ per cent and 3 per cent in the month. This was the sharpest increase since July 1980, and the second largest on record. It was two to three times what Londoa analysts had been expecting and even seemed to have taken the UK authorities by surprise.

The rise, in the four weeks to April 17, mainly reflects an exceptional surge in bank lending to the private sector. This rose by £2.66bn ($3.1bn) in the mooth against an average of £1.5bn in the previous 13 months.

The Government believes that part of the explanation is that leasing companies were rushing to buy new capital equipment to take advantage of investment allowances before they were cut from 75 per cent to 50 per cent on April 1.

Government and private estimates suggest that this could have accounted for £1bn of the £2.66bn rise in bank lending. Even after allowing for this factor, however, bank lending is running at a perplexingly fast rate in view of the buoyant state of company profits.

London markets gave the figures a gloomy reception, with falls of ¾ of a point to one point in the price of longer-dated government stocks and rises of about 1/16 of a point in money market interest rates. The general view was that although there was little danger of a rise in interest rates, there was no chance of any cut at least until after next month's money figures.

Yesterday's estimate by the Bank of England showed that sterling M3 (which measures bank deposits as well as cash) rose by 12 per cent in the 12 months to April, but indicated that it had been growing at an accelerating pace.

The rise in the latest six months was equivalent to an annual rate of 15½ per cent and the rise in the latest three months was at an annualised rate of 19 per cent.

These increases are all well above the Government's targets of growth at between 6 and 10 per cent last year declining to between 5 and 9 per cent in the current financial year.

The narrower definition of money, Mo (mainly cash) grew by 6 per cent in the 12 months to April, which is inside the 3 per cent to 7

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UK producer prices fall, Page 6; Lex, Page 18; Money markets, Page 37

New Soviet missile 'threat to balance'

BY REGINALD DALE, U.S. EDITOR, IN MADRID

THE U.S. is deeply concerned over the strategic implications of a new Soviet intercontinental missile – the SS-X-24 – which could "fundamentally destabilise" the superpower military balance, Mr Robert McFarlane, President Ronald Reagan's national security adviser, said last night.

The medium-sized missile, which is still being tested, will be raised as a major "first-strike" threat by Mr Reagan in his speech to the European Parliament in Strasbourg today. The U.S. aim is apparently to find a way of bringing the missile into the arms control process before it is deployed in unlimited numbers in the near future, perhaps starting as soon as next year.

Deployment of the mobile, multi-warhead land-based missile would add a new dimension to the strategic equation and "exponentially complicate" the arms control progress, Mr McFarlane said. It could make the U.S. vulnerable to Soviet coercion and nuclear blackmail, he warned.

In a crisis, a U.S. President would not know the whereabouts or the quantity of the Soviet missiles arrayed against the U.S., Mr McFarlane said.

Mr McFarlane said that there was still time for restraining SS-X-24 deployment, although the weapon was already in an advanced stage of testing. If unchecked, the missile would give the Soviet Union not only an important new first strike capability against targets in the U.S. but also a substantial strategic reserve.

The SS-X-24 will probably at first be deployed in silos, with initial deployment expected in 1986, according to a recent Pentagon report.

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Nuremberg peace rally puts star wars on trial

By Rupert Cornwell in Nuremberg

DRESDEN, Warsaw, Stalingrad, Coventry, Cologne, Leningrad, Lidice and others. The names alone are a roll-call of destruction from the second world war; and on the eve of the anniversary of the final defeat of Nazi Germany, their modern representatives gathered in Nuremberg yesterday.

But they were there less, as it turned out, to remember the past than to contemplate the future. And the occasion revealed that even the most obvious lesson of mass slaughter – to preserve the peace so that it does not happen again – can be in its way almost as divisive as war itself.

The assembly was organised by the West German opposition Social Democrats (SPD) just 48 hours after Chancellor Helmut Kohl realised his ambition of seeing his friend President Ronald Reagan visit Bergen-Belsen and Bitburg, itself so divisive a gesture of reconciliation 40 years on.

The setting could hardly have been more loaded with symbols. Although Nuremberg was devastated in the war, restoration since has been so skilful that on a clear May morning its steep-roofed churches and streets of gabled houses winding down from the castle, recall the city's title as the jewel box of the German empire.

Reminders, however, of epic Nuremberg occasions convened by another German party in the 1930s were visible from the Meistersingerhalle where yesterday's delegates met, in the huge Duzendteich Park to the south-east of the town.

At its back there stands like a beached grey whale the old Congress Hall, conceived as a Nazi version of the Colosseum, and which would have held 40,000 people. Beyond, across a lake and close to the football stadium, is the "Zeppelin field" containing what is left of the infamous rally grounds themselves.

Around the edges are decaying concrete terraces, oddly adorned with a single faded Coca-Cola hoarding. Now they enclose a grassy area containiog three football pitches. On the other side the main reviewing tribune is still there, complete with speakers' rostrum.

But it all seems to belong to 5,000, not 50 years ago, as relevant to modern Germany as Epidavros to modern Greece. Dandelions poke out between cracked marble slabs, and the massive doors are rusted and long since locked. But inside the Meistersingerhalle as well, the

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French fears on star wars, Page 2

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EUROPEAN NEWS

Budget cuts hit EEC cash for food aid to drought regions

BY QUENTIN PEEL IN STRASBOURG

FINANCE FOR food aid provided by the EEC to the drought-hit regions of Africa is likely to be exhausted before the end of the year because of budget cuts imposed by member states, the European Parliament was warned yesterday.

Spending in future years might also be hit by the failure of budget ministers to provide enough cash to cover the deficit in Community spending in 1984, in spite of a decision – finally confirmed yesterday – to raise long-term budget contributions to a new level, MEPs were told.

The financial warnings were spelt out by Mr Henning Christophersen, the European Commissioner responsible for the budget, when the MEPs opened their debate on the Community's 1985 spending programme, which they had rejected last December.

The parliament will vote tomorrow on proposals to increase the draft budget approved by the budget ministers from Ecu 27.93bn ($11.36bn) to Ecu 28.8bn, including extra finance for unemployment relief, food aid, and covering the Ecu 417m deficit carried over from 1984.

As the MEPs prepared to welcome President Ronald Reagan today for an official visit on VE Day, they were still haggling over whether to renew their battle with the Council of Ministers on the system for reducing Britain's budget contributions as agreed at last year's Fontainebleau Summit.

A likely majority is in favour of paying the British cash – Ecu 1bn in 1985 and two thirds of net contributions payable in subsequent years – in the form of special spending projects. The council insists that the money be simply cut from Britain's budget contribution. The MEPs were yesterday canvassing a compromise to allow the system to take effect this year and next but be discontinued from 1987.

Given the continuing EEC lack of a budget, political observers here do not believe the British rebate issue will finally prevent parliamentary approval being given by June. However, Mr Christophersen warned yesterday that some of the budget sums were still inadequate for spending needs, in particular for the committed food aid programme.

He said the European commission estimated a total requirement of Ecu 532m to fulfil the aid promises made by EEC heads of government in Dublin last December.

That amount had been cut to Ecu 301m by the budget ministers and the parliament was now proposing to restore the level to Ecu 507m. Some Ecu 30m of that is in the form of obligatory spending over which the MEPs have no legal control. So the end result could be a shortfall of Ecu 55m on the Commission's request, Mr Christophersen warned.

Finance for food aid by the EEC might therefore be exhausted by the autumn, he said, in the face of the latest warnings by the Food and Agriculture Organisation (FAO) that inadequate quantities were reaching the drought-hit areas in Africa.

Mr Christophersen announced that the formal decision by the Council of Ministers to increase the member states' budget contributions from the present 1 per cent VAT ceiling to 1.4 per cent was reached yesterday after West Germany lifted its reservation. Once the decision has been ratified by the 10 national parliaments, it should come into effect on January 1, 1986.

He said that it should be possible to draw up a budget for 1986

Mrs Nancy Reagan dancing flamenco at the School of Dramatic Arts and Dance in Madrid yesterday. She was visiting the school as part of the state visit by President Reagan.

Poland warns U.S. over 'interference attempt'

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S OFFICIAL spokesman yesterday accused the United States of attempting to interfere in the country's internal affairs and warned that there could be no improvement in relations unless such "ambitions" were dropped.

Mr Jerzy Urban was speaking in the wake of the latest Polish-American fracas in which two American diplomats have been expelled from Poland, four Poles from the United States

The incident originated in a pro-Solidarity demonstration on May 1 in the southern city of Krakow during which the two Americans, Mr William Harwood, a First Secretary, and Mr David Hopper, a Consul in the city, were detained and later expelled.

Two days later during shortlived May 3 demonstrations in the same city, the police picked up three American students and a hospital attendant from Ohio sightseeing in the city and they too have been ordered to leave the city.

Lisbon death may affect visit

By Diana Smith in Lisbon

A SHADOW was cast over the 41-hour official visit to Portugal of President Ronald Reagan by the sudden death yesterday from a heart attack of Prof Carlos Mota Pinto, 48, the former deputy premier and leader of the Social Democrat Party (PSD), the junior partner in the ruling coalition.

Two days of national mourning have been declared.

President Reagan is likely to get a friendlier reception than elsewhere on his European tour, although the Portuguese Communist Party has called a demonstration in Queluz, the Lisbon suburb, whose sprawling palace will be his official residence.

A founder member of Nato, Portugal has long enjoyed U.S. financial and military aid. Between 1975 and 1980 over $1.5bn was granted in credit guarantees, financing for schools, low-cost housing, basic sanitation and health projects, agriculture, refugee and earthquake relief.

Since the 1983 renewal of the 1951 agreement allowing the U.S. to use the Lajes air base in Portugal's Azores Islands, the U.S. Congress has approved $368m in military and civilian aid in return for use of the strategically located base. Congress is debating $220m aid for 1985 fiscal year.

U.S. diplomats have been energetically lobbying American businessmen to consider investing in Portugal.

President Antonio Ramalho Eanes, and Sr Mario Soares, the Portuguese Prime Minister, are unshakeable Nato supporters. Sr Soares's strong pro-U.S. stance is notable, and there are no controversial issues between the two nations.

French study says SDI will benefit civil industry little

BY DAVID HOUSEGO IN PARIS

THE REASONS for the French refusal to participate in the U.S. Strategic Defence Initiative (SDI) became clearer yesterday with the leaking in the French press of a confidential document prepared under the umbrella of the French Foreign Ministry and which strongly influenced President François Mitterrand's decision.

The document argues that the spin-off for civil industry of the SDI programme is limited and that the participation of European companies in it is not the best way to make good the technology gap with the U.S. Instead, it puts the case for selective collaboration within Europe on a small number of high technology areas with immediate industrial application — aimed at offsetting Europe's major weakness which it says is in applied research.

The document thus forms, as well, the basis for the French Eureka programme of which few details have so far been available. The French Government intends over the coming week to make further efforts to push the programme with its European partners — including non-EEC states like Sweden, Austria and Switzerland.

At the same time it was announced yesterday that President Mitterrand is to meet Chancellor Helmut Kohl on May 28 in Bonn in an effort to resolve the damage to Franco-German relations done by the Bonn summit.

In view of the Centre a'Analysis et de Previsions—the think tank within the Foreign Ministry which often prepares position papers for the President—the SDI is predominantly a military programme in which European companies will only be associated if their technology is up to that of the U.S.

But, in most of the key areas of the programme—lasers, high-speed micro-electronics, space—European technology is below that of the U.S., according to the centre.

None the less in the high tion. Once the decision has been ratified by national parliaments, it should come into

A French prisoner committed suicide on Monday night as unrest spread to a second high-security jail outside Paris, the Justice Ministry said yesterday, Reuter reports. An official said the dead prisoner was one of four in Bois d'Arcy prison who slashed their wrists during an outbreak of rioting.

The unrest follows two days of rioting at Fleury-Merogis prison, where 22 inmates were admitted to hospital suffering from drug overdoses and injuries. It has focused attention on serious overcrowding in French prisons.

effect January 1 1986.

It should be possible to draw up a budget for 1986 on the basis of the increased contributions, he said, although it would be difficult. But he warned that a failure to provide for the 1984 deficit fully in 1985 would inevitably put more pressure on the following year's finances.

technology areas covered by the SDI, the centre believes that France has a lead in Europe, followed closely by Britain, but with West Germany well behind. It argues, however, that, apart from computer software and propulsion, the SDI programme is not of key importance to industry.

By contrast, the French study argues that Europe's weakness is less in research than in its application for industrial purposes. It thus sees the basis for the Eureka programme as selective, company: oriented collaboration in key high technology areas.

Arguing that Europe cannot catch up its gap with the U.S. in the whola range of high capacity computers, it proposes collaboration over a limited range reflecting specific needs.

As an example it cites possible collaboration over a computer capable of analysing the changing effects of the atmosphere on aircraft, saying that orders for this could be placed by European governments and the aviation industry.

Bulgarians refuse to allow visits to Turks

By Leslie Colitt in Berlin

BULGARIA has rejected Turkish demands that it permit observers to visit the south eastern part of the country where the Ankara Government has charged that the ethnic Turkish minority is being persecuted.

The Bulgarian Foreign Ministry said such "inspection trips" were incompatible with Bulgaria'a sovereignty. It also denied there was any Turkish minority in Bulgaria, referring only to tha "descendants of forcibly Islamised Bulgarians."

Turkey had called for an investigation of reports that Turks in Bulgaria were being forced to change their names into Bulgarian ones, and that violence had been used against them. The Bulgarian reply noted that any Bulgarian citizen had tha right to "choose his name or to change it."

It accused Turkey of refusing to allow its minorities even to sing folk songs in their native language and forbidding the Kurds and other ethnic minorities in Turkey from keeping their own names.

The estimated 800,000 Moslems in Bulgaria are the descendants of Ottoman colonists who settled in southern Bulgaria and of the Pomaks, ethnic Bulgarians, who converted to Islam during the nearly 500 years Bulgarians were under Ottoman rule. Several hundred thousand of them were permitted to emigrate to Turkey until 1968, but Bulgaria has refused to allow more to leave.

Bulgaria recently marked the 70th anniversary of what is called the "monstrous extermination" of 1.5m Armenians who it called the "Innocent victims of the Ottoman Empire's nationalism and chauvinism."

A report in the Bulgarian press last month noted that a prominent Bulgarian weightlifter who is a European and world title holder, had changed his name from Naum Suleymanov to Naum Shalamanov. In an interview the athelete said: "My name is the way it should be and it conforms to what I am. I am Bulgarian and nothing else."

Sweden counts cost as strike enters sixth day

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S PUBLIC sector strike entered its sixth day yesterday with little sign of movement on either side.

The Government negotiating agency met until late last night with finance ministry officials to assess the economic consequences of the dispute.

This could open the way for a request by the agency that a special six-man committee composed equally of labour and Government representatives, call an end to the strike.

The civil service union has taken out 20,000 of its key members in a selective action which has closed down the national airports, cut railway freight traffic and crippled custom clearance and trade. Exports have dropped to half their normal levels.

The union has demanded compensation for its 265,000 members, whosa wages fell behind those of industrial workers in 1984.

The Government has refused the claim, worried that it will lead to further demands from other public sector unions and wreck its already threatened anti-inflation programme.

However, the Social Democratic Government has so far ruled out direct parliamentary intervention to stop the strike

Craxi sees elections as performance test

BY JAMES BUXTON IN ROME

WITH ONLY four days to go before polling in Italy's nationwide local elections, Sig Bettino Craxi, the Prime Minister, warned yesterday that he regarded them as a test of the performance of his Government as a whole.

He said that if the five parties of the ruling coalition were defeated in the elections on Sunday and Monday, "someone will be presenting a final bill to the coalition parties, to the Government and to the prime minister." He would be made to resign, he said.

"We are half way through a difficult parliamentary term, and now we have an election which has all the characteristics of a mid-term test. It is an important test which will point the way to what happens next."

Sig Craxi nevertheless said that the coalition parties – the Christian Democrats, his own Socialist, the Republicans, Social Democrats and Liberals – would not be defeated in the municipal and regional elections.

The opposition Communist Party, which won almost 30 per cent of the vote in the 1983 general election, has said that it will demand to form a government if in the local elections it overtakes the Christian Democrats (who won almost 33 per cent of the 1983 vote) and if the coalition parties as a whole fall below 50 per cent of the parliamentary vote. They currently hold 56.4 per cent.

Greece moves nearer to constitutional reforms

BY ANDRIANA IERODIACONOU IN ATHENS

A CONTROVERSIAL constitutional reform proposal put forward by the Greek Socialist Government and designed to limit drastically the powers of the President, successfully cleared the second of three required rounds of voting in parliament yesterday. A first round was held one month ago.

What becomes of the proposal will now depend on the result of the general election due to be held on June 2. The election is expected to be a close race between the ruling Socialist Party (Pasok) and the Conservative opposition.

The present House was dissolved immediately after the end of yesterday's roll-call vote, in which the Conservatives rejected the constitutional changes en bloc. Some 182 deputies – all the Socialist and Communist opposition MPs and several independents – voted in favour, exceeding by two votes the required three-fifths majority.

The reforms – which will remove the president's power to declare a state of war; to dissolve parliament if in his opinion it does not "reflect the popular will" and to call referendums on key national issues – will only become final if they are approved in the next parliament by a majority of 151 or more. There are 300 deputies in the House.

The Socialist Government launched the constitutional reform plan in early March, along with a surprise decision not to support the re-election of Mr Constantine Karamanlis, the Conservative President, to a second term. Greece's present constitution was introduced under Mr Karamanlis's premiership in 1975, after the collapse of the colonels' dictatorship.

Reaction to Yugoslav proposals

By Aleksandar Lebl in Belgrade

THE YUGOSLAV Government's proposals for radical overhaul of the country's chaotic foreign exchange system from next year have drawn a sharply mixed reaction, including protests from Croatia and Slovenia, the home republics of Prime Minister Milka Planinc, and her two key economic ministers.

The foreign exchange reforms, accompanied by suggested changes in rules governing imports and debt repayment, have been presented to leading businessmen and are soon to be debated in the parliament.

The aim of the reforms is to end the "grey" market in which companies trade scarce western currencies at well above the official rate, and to re-establish the genuine foreign exchange market that existed before Yugoslavia hit its financial crisis in the early 1980s.

At present, companies have to surrender some 54 per cent of their total convertible currency export earnings to federal and local authorities for payment of debt servicing, national energy imports and a variety of public services. Of the remaining 46 per cent, companies are supposed to sell any hard currency surplus to their import needs to the inter-bank market. But very few do so, because they can get higher rates in private deals, and therefore the inter-bank foreign exchange market has all but totally dried up.

Under the new system, which Mrs Planinc wants to introduce in January 1986, companies would have to sell all their currency earnings to the banks, which would in turn no longer allow companies to have foreign currency accounts, as private individuals do.

Sellers would be given the right to re-purchase foreign exchange, but at the prevailing rate. Such repurchases would be probably more expensive, because under supervision from the International Monetary Fund, Yugoslavia has steadily devalued the dinar to boost exports.

Export-oriented areas of the country, notably Croatia, where Mrs Planinc was the party boss until three years ago, and Slovenia, from which Mr Janez Zemljaric, the vice-premier responsible for the economy, and Mr Vlado Klemencic, Finance Minister, come, have complained that the proposed reform would rob exporters of the financial fruit of their labour and so reduce export incentives.

Meanwhile, the IMF board last week formally approved a new standby loan of some $300m for Yugoslavia for 1985-86.

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Black union leader dies after release by S. African police

BY ANTHONY ROBINSON IN CAPE TOWN

THE DEATH of a leading black trade union official shortly after being released from police custody drew immediate protests yesterday from South Africa's trade union movement.

The Council of Unions of South Africa, the country's second largest union federation issued a statement calling for "an immediate and urgent inquiry into the circumstances of his arrest, detention and death."

The police said that they had started an investigation into the death but declined further comment.

Mr Andries Raditsela, an official of the black Chemical Workers' Industrial Union and executive member of the Federation of South African Trade Unions, the largest union federation, died from head injuries in a Soweto hospital on Monday following his arrest on Saturday night in the black township of Tsakane, east of Johannesburg.

A spokesman for the Chemical Workers said that police had accused Mr Raditsela of driving a stolen vehicle. The vehicle had in fact been hired for him by the union. He was taken to a police armoured vehicle at gunpoint, the union added. He was next seen by his parents lying unconscious on the verandah floor of the township administration board offices and then taken to an unknown hospital by the police.

It was not until Monday that he was traced to Soweto's Baragwanath Hospital where he died that afternoon. Charges under the internal security acts laid against him by police were withdrawn early on Monday morning, the union added.

Mr Raditsela's death has reawakened bitter memories of the death in police custody of black consciousness leader Steve Biko in 1977 and of the union leader Neil Aggett four years ago.

His death comes at a delicate time for the union movement as the mineworkers are preparing for what is expected to be a difficult round of labour negotiations in the mining industry and amid rising labour militancy countrywide.

Beirut suffers 15-hour battle

MOSLEM and Christian militias shelled each other almost non-stop last night across the line dividing their two communities in Beirut, Reuter reports.

Hospital sources in mainly Moslem West Beirut said nine people had been killed and about 50 wounded since yesterday afternoon. Christian Phalange radio said about 2,500 shells hit East Beirut, killing five people.

Residents said it was the longest period of shelling across the Green Line division in more than a year and it ended at dawn after about 15 hours with only a two-hour break.

The Barbir Hospital in West Beirut was hit for the third time in three days. Patients had been moved earlier and no casualties were reported.

Crossings between East and West Beirut, shut for most of the past week, remained closed.

● A total of 21 Israeli soldiers have committed suicide in Lebanon since the 1982 invasion and the stress of military duty in the volatile south was partly responsible, Mr Yitzhak Rabin, the Defence Minister, said yesterday.

Chris Sherwell in Manila charts the Philippines' relentless economic decline

IMF cannot provide cure-all for Marcos

EVEN IF signed on schedule on May 20, the $10bn (£8.3bn) debt rescue package for the Philippines will still fail to reverse the country's relentless economic deterioration without genuine economic reforms awaited from President Ferdinand Marcos, economists and bank analysts in Manila say.

Questions have emerged over whether the International Monetary Fund monitoring the economy has unexpectedly relaxed certain tough conditions attached to its own SDR 615m (£759m) stand-by credit, as indicated last week by the Manila Government.

Certain key foreign countries and aid donors are also unhappy about the Government's commitment to genuine reforms and have begun pressing harder for substantive changes, so far without satisfaction.

This is taking place against a background of growing nationalist guerrilla insurgency, an increasingly-radical Opposition and labour unrest. Investor confidence has also been corroded by uncertainty over the Marcos succession, maladministration, high interest rates and lack of demand.

At this point it still remains possible that a stream of positive will flow once the debt package is signed. Certainly the Government's two chief economic policy-makers, Mr Cesar Virata, the Prime Minister, and Mr Jose Fernandez, the central bank governor, are doing their best to accommodate creditors' demands.

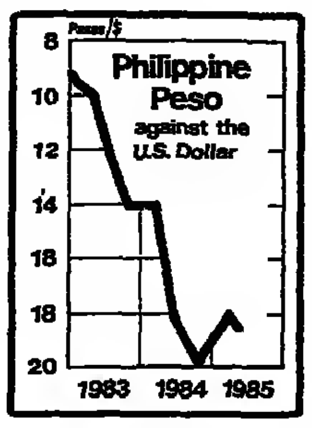
It is also apparent, however, that domestic political considerations have taken priority in certain economic decisions, jeopardising the recovery of a country saddled with $25.6bn foreign debt it cannot easily repay.

This was starkly revealed earlier this year when the Government faced a clear choice between allowing the peso to continue sliding against the dollar, risking even worse inflation but helping exporters, and maintaining high interest rates to defend the currency.

Anxious about his vulnerability over prices, and against the advice of the IMF, President Marcos chose the latter. Irresistible savings rates of up to 45 per cent promptly stopped speculation against the peso.

As a result the peso, unlike practically every other currency in the world at that time, actually strengthened against the dollar, and is still at 18.5, close to its highest since last October.

In a further surprise move, the President in February ordered "price roll-backs" which cut fuel and power prices. This helped calm agitated workers, but it turned out to be temporary and the overall cost has been a further slowing of investment, still weaker exports and probably another contraction in the economy this year.



The Government decided not to use the peso's artificial strength to replenish reserves because this would have broken IMF money supply ceilings. Despite this, it was unable to meet its key first-quarter targets because of a costly bail-out of a local bank, Banco Filipino—another political decision.

In a surprisingly accommodating response, the IMF has since agreed to adjust the original dates of its economic reviews and releases of money, pushing its March review back to the end of this month and agreeing to do two more by September in order to get back on track by the fourth quarter.

The IMF continues to believe that an exchange rate adjustment is necessary, and is believed to be contemplating a recommendation to the Government of a realistic rate.

This is a serious step, but one which still remains contingent on the signing of the debt package by the 483 creditor banks. The package consists of a $925m syndicated loan, a $3bn trade facility and the rescheduling of about $6bn in Philippines' debt falling due by the end of 1986.

The way for this was supposedly cleared last week with a compromise in the dispute over the amount National Commercial Bank of Saudi Arabia should put up in new money. Unfortunately, the troubles of Planters Products, a Philippines fertiliser company, have surfaced to haunt the agreement and must still be resolved.

Planters products is the largest fertiliser trader and distributer in the country. It owes numerous local and foreign banks an estimated $83m, but is itself owed hundreds of millions of pesos—it claims some 600m pesos—by the Philippines Government, most of it in unpaid subsidies.

The banks originally treated it as a Government company because it had senior Government officials on its board. Their mistake emerged when the Government's subsidy policy changed and the economy deteriorated, throwing planters products into difficulty.

The foreign creditors, who include Manufacturers Hanover Trust and Barclays, now want assurances over these debts before signing the loan agreements of the rescue package. Mr Virata has indicated the back subsidies will be paid and the signing will go ahead, but this is still to be formally settled and will take at least until next week, if not longer.

The chances of success are in any case put at only 50 : 50, according to one creditor. This is because of another complication: Government plans to secure the viability of state-controlled Philippines Phosphate, a competing fertiliser plant which is classified as a "major industrial project" and thus politically sensitive.

So important has the question mark over the Government's reform commitment in these areas become that the IMF, World Bank, the U.S., Japan, West Germany and Australia have formed a sub-committee of the donor consultative group to assess the programmes so far.

The committee is expected to meet soon, but how far it will get depends on Manila's response. Already one meeting scheduled for Washington earlier this month has had to be postponed because of a lack of information; another postponement could only be expected to dismay the donors further.

Modest growth in Africa

BY PETER BLACKBURN IN BRAZZAVILLE

AFRICAN economies showed modest growth last year as terms of trade improved and exports increased, according to the Abidjan-based African Development Bank.

In its 1984 report due to be released at next week's annual meeting starting here today, the bank says that GNP in non-oil Africa rose 3.2 per cent, the largest increase for seven years.

However, with a population growth rate of 3.2 per cent, per capita GNP still fell by 0.1 per cent and the bank warns that the continent's economic crisis remained "largely unabated."

Agricultural performance was generally "poor" as Africa continued to face its worst food crisis since 1973-74. Per capita food production continued to decline and the cereals deficit in the Sahel and southern Africa is estimated to have risen to 2.8m tonnes.

The report notes that the volume of net overseas aid fell to $29.9bn (£24.75bn) in 1983 from $30.5bn the previous year.

Pakistan wins extra aid pledges

By Paul Betts in Paris

PAKISTAN secured yesterday from its Western aid consortium an increase in new financial aid commitments for the fiscal year starting July 1985 compared to the $1.8bn (£1.49bn) in new aid commitments it received from Western donor countries for the previous year.

Details of the new aid commitments at the consortium meeting in Paris chaired by the World Bank are expected to be disclosed in Pakistan by Mr Mahbubul Haq, the new Pakistani Finance Minister.

The World Bank in a statement after the meeting said that indications by the consortium for assistance to Pakistan for fiscal 1985 "showed a significant increase over last year's aid indications, with a larger proportion as quick-disbursing assistance."

The World Bank statement also said that the consortium had indicated it would make further special assistance to support the 3m Afghan refugees now sheltering in Pakistan. Additional special aid would also be provided to help Pakistan with its alternative crops programme in poppy-growing areas.

The Pakistan aid consortium expressed strong interest and broad support for the Government's strategy to develop alternative crops in poppy-growing areas and enforce stricter drug abuse laws.

Indonesia's loan needs

Indonesia will need about $5.5bn in foreign loans annually for the next three years, according to a World Bank report quoted by AP in Jakarta. It said that $2.2bn of the public medium- and long-term borrowings would stem from official assistance, $1.5bn from import-related credits and $1.8 bn from commercial loans.

S. Korea investment

Foreign investment in South Korea during the first four months of this year rose 52.5 per cent on the period a year ago to $93m, the Finance Ministry told AP in Seoul. Japan was the biggest investor, with the U.S. slipping from second to fourth place after West Germany and Britain.

Bankers in Peking money talks

By Robert Thomson in Peking

A BEVY of bankers and a horde of foreign industrialists have gathered for a conference in the Great Hall of the People. Capital has come to the capital of Chinese communism, and Premier Zhao Ziyang assured them that the "open door" would remain open and stressed the importance of foreign finance to the development of China.

Under the conference title of "China Faces the Future," the Bank of China invited the heads of 10 banks, ranging from National Westminster to Banque Bruxelles Lambert and the Bank of Tokyo, to come for three-day get-to-know-you sessions with China's economic leaders.

Each group of bankers has brought a busload of industrialists with them for the conference, which is co-organised by the financial magazine Euromoney, and financial heads of China's 22 provinces have also come to talk money.

Zhao's opening speech to the conference was reprinted yesterday on the front page of the mass-circulation Peoples Daily.

Zhao told the bankers that China was revising its economic legislation to make investment easier for foreign companies.

"We attach great importance to co-operation with foreign financial circles. China has rich resources and a vast market but is short of funds," Zhao said.

● China has sanctioned a stock sale to raise Yuan 1.1bn ($385m) for building the nation's longest railroad line, AP reports from Peking. It appeared to be the biggest stock offering since the Communist Party resurrected the once-denounced capitalist practice last year to help finance economic development.

● Free markets attracted more than 19 per cent of the nation's retail trade last year and their share is increasing as the state relaxes price controls, the official China Daily reported yesterday

Queensland union dispute

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE Australian Council of Trade Unions (Actu), yesterday announced plans for renewed confrontation with Sir Joh Bjelke-Petersen's anti-union State Government in Queensland.

Marking an escalation of the conflict, the Actu will today boycott all handling and carrying of freight to and from Queensland. Rail, air and road services, will be affected for up to three days.

The dispute is the worst industrial confrontation since Mr Bob Hawke's Australian Labor Party Government won power 26 months ago.

It stems from Sir Joh's sacking of 1,000 power workers two months ago and his introduction of industrial laws seen as part of his campaign to weaken union power and ultimately dethrone the Hawke Government.

However, both the Actu and the Canberra Government are having to tread warily, fearing to antagonise the Queensland premier, who enjoys broad support from public and employers for his stated aim of diminishing union power.

Plagued by other problems, Mr Hawke has remained aloof from the fray.

AMERICAN NEWS

Washington's sanctions will also hurt U.S. business, writes **Tim Coone** in Managua

Nicaragua eases into new export markets

AS THE U.S. trade embargo against Nicaragua begins to bite this week, tho Nicaraguan Government has begun to devoto the same resonrcefulness to the problem as it did when the U.S. closed its doors to most of Nicaragua's sugar exports in 1983.

Then, Nicaragua quickly found new markets in the Middle East and North Africa at preferential prices. Two years later, the Nicaraguan export products most seriously affected by the trado embargo are bananas and shellfish, worth some $15m (£12.5m) eacb in the U.S. market.

According to Sr Orlando Solorzano, tho Nicaraguan Deputy Foreign Trado Minister, bowever: "We have already found new markets in Europe for our bananas and we *are* in the process of finding more."

Until the embargo, Nicaragua exported somo 4m boxes of bananas annually to the U.S. According to Sr Alfredo Alaniz, the Nicaraguan Fisheries Minister, the first major shipment of shrimps and lobsters to Europe aro also to be sent on the same refrigerated ships that will take to Belgian the Nrraguan bananas that were formerly sold in California.

Nicaragua will be ablo to take advantage nf temporary shortfalls in deliveries of bananas to Europe as a result of droughts in Colombia and shipping difficulties in other Central American countries, according to British hanana traders.

But the long-term prospects for a small exporter ohliged to trade outside the channols controlled by U.S. companies such as United Braods — which includes the British Fyffes operation — are not encouraging, they add.

It appears that U.S. business will suffer as much if not more than the Nicaraguan Governmont as a result of the embargo, bearing the main costs of tho Reagan Administration's hardlino stance against the Sandinista Government in Managua.

Four U.S. shipping companios which earry the bulk of Nicaraguan trado with North America now stand to lose between $15m and $20m in freight charges a year. According to Sr Alaniz, four U.S. ship yards whicb topped tho list to win a $38m tonder to construct 50 new fishing vessels will now lose out through the embargo.

Other U.S. manufacturers stand to lose an annual market of $10m in exports of animal and vegetable fats, between $20m and $25m in crop protection chemicals and fertilisers, and an equivalent amount in electrical machinery, pumps, transport and scientific equipment. Latin American suppliers will most likely fill tbo gap in raw material supplies, while Western and Eastero European *manufacturers* stand to become tho principal suppliers of advanced technology and machinery.

So for the Nicaraguans the immediate effects of the embargo will be irritating rather than devastating. According to Sr Marvin Norguera, director of tho state importing agency Enimport which handles somo 20 per cent of Nicaragua's annual import bill of $800m, many spare parts for U.S.-mado machinery can he obtalned *through U.S. subsidiaries* overseas, such as the Esso oil refinery ln Managua. Where that is not possblo, sections of plants will gradually be replaced by machinery from countries thet have a more reliahle trading relationship with Nicaragua.

"The embargo will be serious," he said, "but the country will not grind to a balt."

The British American tobacco subsidiary in Nicaragua, Tanic, uses a quantity of U.S.-made ancillary equipment in its plant and imports chemicals from the not unduly bothered hy the embargo: "Wo can obtain spare parts relatively easily from other overseas subsidiaries and wa have raw material stocks sufficient to last a year." He said

The immediate sectors to be hit by th e embargo will be io agriculture and health, says Sr Norguera. Crop protection chemicals come primarily from the U.S. and new sources of supply will have to be fouod *rapidly* to avoid pest damage to the important export and basic grain crops

However, prastically all Nicaraguan purchases from the U.S. are on cash terms only, and so can be relatively easily substituted hy nther foreign suppliers, *according* to Sr Norguera.

The principal ecooomic cost will be in increased shipping costs and delays in delivery be said. Shipping charges to Europe ar e around 20 per cent higher than to the United States.

So it seems that if the trado ombargo is to really bite against Nicaragua it will have to embrace U.S. subsidiaries overseas and iuclude pressures against other major trading partnors with Nicaragua, both of which will entail heavy political battles for the Reagan Administration.

The Nicaraguan Government, by refusing to make any political concessions to tho U.S., has thrown tho ball back into the White House's court. If the Reagen Administration now halks at pursuing the embargo to is ultimate consequences, the final word may rest with Sr Xavier Gorostiega, bead of an economic research institute based ln Managua who said on Monday night: "The embargo will in tha medium to long term be beneficial to Nicaragua, in that it will produce better trading telationships with Europe, Latin America, the Socialist bloc and the rest of the world; bui in the short term it will be painful to readjust."

Nicaragua has called for a special meeting of the council of the General Agreement on Tariffs and Trade (Gett) to discuss economic sanctions imposed on it by the U.S., Gatt sald yesterday, Reuter reports from Geneva.

No date has been fixed for the session, Gatt said, bnt lt is likely to take place later this month following e stetntory 10-day period during which member states wlll be informed of the Nlcaraguan request.

An official at the Nlcaraguan diplomatie mission said his country would protest he said was contrary to the fundamental principles of against the U.S. action, which Gatt.

Stewart Fleming adds from Washington: Mr Tip O'Neill, the Speaker of the U.S. House of Representatives, bas conceded that the recent visit of Nicaragua's Presldent Daniel Ortega to Moscow has "embarrassed" the Democratic Party and could lead to a House vote ln favour of sending non-lethal aid to the rebel contras in Nicaragua.

Two weeks ego the House blocked the release of $14m £11.7m) of aid to the contras who are *seeking* to *overthrow* the Sandinista Government in Nicaragua.

That vote came just hefore Mr Ortega set off on a prearranged visit to Moscow wbere he repertedly sought some $200m in assistance.

Mr O'Nelll said of the Miscow visit: "He embarrassed us to be perfectly trothfol." House majority leader Mr Jemes Wright added: "People are displeased with him that he would go tn Russia and flaunt the fact that the Congress refused to send mililary aid."

Baldrige admits defeat on 4% growth

By Stewart Fleming in Washington

THE U.S. economy will not achieve the Reagan Administration's 4 per cent real growth target this year, Mr Malcolm Baldrige, commerce department secretary, has said. However, acts to cut tbe federal budgeta deficit, output conld exand "strongly" in the second half of the year, *he said.*

Mr Baldrige'a comments came as Mr Preston Martin, vice-chairman of the Federal Reserve Board, warned again that the U.S. economy could be stuck in a period of sluggish expansion.

Two weeks ago Mr Martin warned of bte danger of e "growth recession" ahead. This implies a rate of expansion insufficient to prevent unemployment rising.

Mr Martin said in Tokyo *yesterday that* he expected second quarter growth of real gross national product to rise to only 2.5 per cent compared with 1.2 per cent in the first quarter.

His remarks have been interpreted on Wall Street as signalling that he favours a further easing in Fed monetary policy.

Mr Baldrige's *department* is less pessimistic. It expects second quarter growth to rebound to a year on year growth of around 3.5 per cent. But for the year the increase could be as low as 3 per cent or 3.5 per cent, Commerce Department under secretary for economic affairs, Mr Sydney Jones has said.

***Mr Baldrige does not anti*cipate that the slower growth this year—the U.S. economy expanded by 6.8 per cent in 1984—will lead to a significantly higher Federal budget deficit. But, because of the lag in the payment of tax revenues, the 1986 budget deficit would, other things being equal, be higher.**

The Administration's budget forecasts, which project a steady 4 per cent real growth over the next three years are dne to be revised in July.

Sarney promises direct elections in four years

BY ANDREW WHITLEY IN RIO DE JANEIRO

PRESIDENT JOSE SARNEY of Brazil, who succeded the late Sr Tancredo Neves last month, said yesterday he wished to shorten his presidential term from si xto four years, in line with the steted wishes of his predecessor.

Speaking at his *first* Cabinet meeting since taking over as President on April 21, Sr Sarney pledged to convene a Constituent Assembly "as soon as possible," to revise the national constitution, mncb adulterated by tho military during their 21-year rule.

Its composition has yet to be determined, but tho expectation is that the federal Congress, to be elected in Novemher 1986, will itself also act as this extrabody.

ordinary, constitution-*framing*

In a deliberate hreak with the past, yesterday's Cabinet meeting was broadcast liva on television, without prior warning.

Surprised early morning viewers heard the President reaffirm Sr Neves' pledges to abolish the presidential electoral college and re-establish direct elections for all offices.

A constitutional amendment now going through Congress is expected this week to restore elections for mayors of state capitals and those cities previously designated as nationel security zones by the military. The previous regime selected officials for this key level of local administration to preserve control in case of disturbances.

Tho government also reaffirmed lts intention to pay Brazil's $102bn (£85bn) foreign debt on new, but unspecified, terms.

Sr Francisco Dornelles, Finance Minister, is due to meet M Jacques de Larosiere, managing director of the International Monetary Fund, in Washington later this week.

President Sarney said the country's creditors hed to understand that repayment of the debt could not be at the expense nf internal development.

Meanwhile, in its first foreign policy statment, the new civilian Brazilian Government has reaffirmed the country's traditional independence from the U.S. over its policy towards Central America.

A Foreign Ministry statement condemned tho economic sanctions announced by the U.S. last week against Nicaragua. It said they were "counter-productive"

SEC files suit against New York bond dealer

BY PAUL TAYLOR IN NEW YORK

THE U.S. Securities and Exchange Commission (SEC) has filed a suit against Parr Securities, a U.S. Government bond dealer, and its president *and owner* Mr *Gregory* Herbert, alleging vinlation of securities laws and fraud involving millions of dollars.

In tha wake of Monday's action, several U.S. banks and savings and loan associations warned of potential losses resulting from their dealings with the New York based firm.

Parr Securities, which the SEC said has $16.1m (£13.4m) in obligations to eight banks and only $750,000 in assets, is the latest in a string of U.S. securities firms to fail foni of of the SEC.

Earlier this year the collapse of ESM Government Securities and Bevill Bresler and Schulman sent shock waves through the U.S. financial system.

Alfonsin warns Argentines of tough times ahead

BY JIMMY BURNS IN BUENOS AIRES

President Raul Alfonsin of Argentina has put bis full political weight behind a tough stabilisation programme, aimed at tackling the country's record 850 per ceot inflation rato in line with International Monetary Fuod wishes.

President Alfonsin told a packed session of Congress that Argentina had run "into tough times" and that the nation would havo to accept "suffering as a daily companion for some time to come."

Ho confirmed that the Government intended to restrict subsidies to state companies and trim employment in tbe eivil service *as a way of increasing* savings originally forecast for 1985 hy an additional 12 per cent in real terms. Fiscal reveoue meanwhile will be increased by a shortening in tho payment period for value added tax and the implementation of a new "forced savings" tax.

The tax reform will accompany recent changes in the finaocial sector aimed at reorientating savings and loans *away from* speculation and towards productive investment.

In a related development, presidential spokesman Sr Ignacio Lopez said several state company officials would soon be asked tn resign so as to ensure greater efficiency in the public The move is expected to affect numerous company presidents who had been appointed for their political allegiance rather than their technological experience.

Sr Alfonsin's *speech* was his second major policy statement in less than a week. He surprised a recent mass rally outside the presidential palace called by his party militants "in defence of democracy," by warning Argentines not to expect an "improvement in your standard of living this year,"—an implicit confirmation that the Government has finally abandoned its pledge of restoring real salary levels.

Wage levels announced by the Government for May have fallen behind the official inflation rate for the second consecutive month in spite of fuel and public transport price hikes of over 30 per cent.

WORLD TRADE NEWS

Cairo set to sanction deal for first nuclear power plant

BY TONY WALKER IN CAIRO

EGYPT expects to sign a letter of intent hy the end of June for its first nuclear power station, Mr Mahdr Abaza, Minister of Electricity, said. The final evaluation of tenders for the project are well advanced.

Egypt's Nuclear Power Plants Authority (NPPA) will make the final recommendation nn tho successful tender to a committee on whicb various Egyptian ministries and tbe central bank are represented.

Tho three contenders for the el-Dabaa project are consortia headed by Kraftwerk Union (KWU) of West Germany, Framatome of France and Westinghouse of the U.S.

Mr Abaza said the $700m (£573m) set aside for the proposed nuclear plant at el-Dabaa on the Mediterranean coast 160 km west of Alexandria is secure. He said the money would not be diverted to other uses despito Egypt's hard currency shortage.

The special fund comes from oil sales earmarked for development of Egypt's nuclear industry. Egypt bas announced plans to build eight huclear power stations by the year 2005 at a cost of $36bn.

A Westero commercial attache in Cairo said there would be tough final negotiations on price and eredit terms. He said Egypt is not in a position to allocate much more than the $700m it is holding for the project.

Framatome has proposed buildiog twin 1,000-Mw pressurised water reactors (*PWRs*) at a cost of about $2.5bn, KWU a 1,000-Mw reactor for about $1.1bn and Westinghouse a 1,000-Mw reactor for about $1.5bn with the option of a second reactor.

All bids are being supporled by the credit agencies of the respective governments.

Philips calls for action against Japanese exports

RAPID action is needed to protect the European electronics industry against Japanese competition, accordiog to an internal study by Philips, Europe's largest electronics group, Renter reports from Eindhoven, the Netherlands.

Tbe study concluded that Japan has a unified iodustrial strategy to dominate the olec*tronics* industry ln Europe and the U.S., Philips said yesterday.

The European Community should decide that its electronics industry has a right to 60 per cent of the European market for products such as video cassette recorders, compact disc playera and video disc players, the study said.

It proposed a temporary rise in import duty on Japanese hi-fi equipment and vidoo cassette recorders combined witb a reduction on items such as Walkmans and portable radios, which it said were no longer made within tho European Community.

This would give European industry time for restructuring to create a more unified market.

Tbe Philips study was based on puhlications, legal cases and remarks by Jopanese politicians and business leaders.

Harsb rationalisation measures and mergers by European companies have failed to stem a tide of bome electronics goods from Japan, where production costs are much lower.

Mr Eef Brouwers, from Philips, said the main thrust of reorganisation in Europe would bo to concentrate production into larger units in order to compote with the united front of Japanese industry more on its own terms.

Last year Philips took control of Grundig, the leading West German electronics firm, ln a $200m deal which was seen as creating a stronger unti more ablo to comhat Japanese competition.

The Philips report said Jepan's strategy bad already led it to dominate the U.S. consumer electronics industry and warned it would do the samo in Europe unless there was resistance.

Japan would then gain control of other sectors, such as olectronic components and professional electronics.

This conld lead to Japanese superiority in science aod industry and even to increasing U.S. and European political and military dependence on Japan, the report said.

● Japan has pledged 12,000 truck tires to tbe Ethiopian famine relief effort after the United Nations said $50m worth of vehicles and parts was urgently needed, the UN said yesterday.

Unless tbe logistical aid is forthcoming, relief grain distribution will be halved

France and Egypt sign $300m wheat deal

By Tony Walker in Cairo

FRANCE has signed a comprehensive wheat and technical assistance agreement with Egypt under wbich it will supply $300m (£245m) worth of wbeat and flour this year and help establish a packaging research institnte.

The agreement follows a deal negotiated earlier this year for Franco to finance a 30,000-tonne capacity wheat silo to assist Egypt in increasing storage capacity for grain.

Egypt bas also recently signed a long-term wbeat agreement with Canada for annual purchases of 500,000 tonnes to the end of this decade. Canadian wheat sales to Egypt last year were 650,000 tonnes and a similar figure is expected this year.

The Franco-Egyptian protocols signed ln Paris last week, provide for the shipment this year of 750,000 tonnes of flour and 500,000 tonnes of wbeat. There is also provision for food aid to Egypt in 1985 of 13,300 tonnes of wheat.

The protocol covering the establishment of a packaging research institute involves expenditure of about $2m, according to a Frencb Embassy official in Cairo.

Egypt's wheat imports last year totalled about 5.5m tonnes. Most came from the U.S., Australia, Canada and the EEC.

Canadian group expects to win army contract

Nnrthern Telecom of Canada expects to sign an agreement with Egypt this month covering microwave transmission equipment for the armed forces worth abont $50m (£40.9m), writes Tony Walker in Cairo.

The Canadian company signed a letter of intent with Egypt's military in Marcb and discussions are ln the final stages on financing, supply, training and installation of the sophisticated eqnipment.

Northern Telecom Is Canada's largest supplier of telecommnnications eqnipment. It won the tender for the supply of the microwave transmission system against strong international competition.

John Elliott in New Delhi reports on the frustrations facing businessmen

Salesmen fail to crack Gandhi's code

"COMPANY AGENTS are searching for their government contacts to taka the regular payments of hlack money. *When* they can't find them they don't know whether they or their clients are heing ostracised, or whether corruption has really been stopped by Rajiv Gandhi."

That comment hy an expert observer of the commercial scene in New Delhi illostrated the helplessness, and part of the frustration, that is felt by many husinessmen as India's major contract negotiations go through a period of eonsiderahle disarray.

Corruption is not the only reason for the problems. Mr Rajiv Gandhi, Prime Minister for the past six months, is hringing a youthful, direct and dynamie personal style to governmeot and is re-examining many past decisions.

Two of the most well-known upsets are the collapse last week of helicopter orders worth £85m for Westland of the UK and the reversal of contract arrangements on a $1.2bn (£1hn) cross-country natural gas pipeline, overturning tenders submitted last summer. Other airline, computer aod electronics orders have also been reassessed: many other cootracts have beeo endlessly delayed.

Part of the reason for the *disarray is* that the *assassina*tion six months ago of Mrs Indira Gandhi, and the subsequent elections, delayed decision-making in all major areas apart from national security.

Then tho brakes were put on again with the uncovering of India's spy scandal, in whicb commercial and other government secrets were allegedly sold by clerks and personal assistants in key Government offices to diplomats from France and East European countries. The offenders were sacked, a few other high officials were removed for not *spotting* what was happening aod the rest of the civil service became frightened to talk, or help, their usual business contacts.

Next there were changes of more than 40 top-level civil servants, which further delayed decision-making. Now arguments about projects that can be afforded in India's new seventh five-year plan are holding contracts up again.

In the case of the UK, the diplomatic rift with India over the activities last winter of *Sikh* extremists in Britain also put a hrake on contract negotiations, including the Westland helicopters.

These eveots have exacerbated the effects of expert *Indian techniques of endlessly* playing one competitor off against another and delaying sigoing a eontract till the last moment to win extra coocessions.

"We'd even presented the gold pen for the signing ceremony when they suddenly asked us to make another concession. The signing was delayed for three months and we had to give ground," says ona aviation executive.

French power station contractors failed at the *last* minute to upset a £94m power station contract being finalised last year by GEC. Bul they bave successfully disrupted negotiations with Austria for a hydro power station at Dul Hasti in Kashmir.

The French have few failures, although the CIT-Alcatel telecommunications company migbt lose a £50m contract for e telephone exchange contract, the second of two it began to win two years ago after persuading the Indian Government to bypass normal tendering arrangements. Even in this case, bowever, the Fronch style of gentle bohind-the-scenes diplomacy with a minimum of publicity is admired by Indian civil servants who hate being put on the spot.

India is not a country in a burry. It ls a proud nation aiming ot self-reliance and determined not to be overewed by *foreigners*, and specially not by the tactics of executives from multinationals.

Traditionally, bureaucrats and politicians have delayed making decisions in order to protect themselves from upsetting someone more powerful, and to avoid taking responsibility for something that might go wrong. So an excuse to re-examine bids, to wait for a newer technology, to listen to a new tenderer, or to play one country off against another is instinctively welcomed.

The French are specially adept at making the most of this. They constantly lohhied for their Aerospatiale Dauphin, now the favourite, against the British Westland, even after the Cahinet had decided last summer in favour nf Westland. The French-led Airhus Industrie is doing the same against Boeing for $400m to $500m Indian Airlines orders.

Only if India desperately wants a product can a salesman successfully try harassing tactics, threatening to withdraw an offer or leave the country unless he is given an appointment or receives a decision. Delhi's five star hotels make a lot of their money from salesmen sitting and waiting. The salesman or senior diplomat who threatens with a deadline will probahly find the civil servant quiotly closing his file and ending the meeting. He will then find it impossible to obtain a further appointment quickly from the civil servant's endlessly courteous personal assistant.

All sucb contacts are complicated by the prevalence of corruption. In the past, a European company trying to do a deal would often be visited by a "collector,' possibly an expatriate Indian, who would ask for bribes amountig often to 5 or 10 por cent of a multi-million contract.

Sometimes the visitor would offer a package deal for a large personal fee—this could include arranging a personal meeting with Mrs Gandhi, making sure the company won and then arranging the delivery of the kick-back *to* Mrs Gandhi's Congress (1) Party. Sometimes the visitor would simply say that he had been sent to collect for the Party, gently hinting it would be better next time if he were hired from the start as a full agent. Occasionally he would threaten to work against the company if he was not hired, and often the same man would nffer to help competing companies. administration.

Sometimes such a visitor did deliver the contract but at other times would produce little more than a personal meeting with Mrs Gandhi. A company could put far too much reliance in their new-found helper, which meant some hig contracts *were lost in the days* of the last In e recent interview with the Financial Times, he said that back-banders should no longer be paid to Indian politicians, civil servants or middle men. He said that businessmen abroad who did pay up were "being taken for a ride."

Now no one is sure wbether or how much the system has ehanged since Mr Gandhi declared war earlier this year on corruption and *black money.*

Corruption, however, is so deeply *embedded in India*, and many middlo class Indians are so cynical about their country, that most people do not believe he can enforce such an approach.

For this and the other reasons, it will be some time before even the most expert company negotiator or diplomat can feel confident that he has mastered tha personalities, motivation of India's new centres of power, linkages and administration.

Snamprogetti, the Italian company, has won the contract to de*sign and supply* all *imported* equipment for a $550m (£450m) fertiliser plant at Jagdishpur in the north Indian state of Uttar Radesh, writes K. K. Sharma in New Delhi.

Snamprogetti has agreed to complete the plant within 36 months. Production of ammonia would begin two months later. The Italian company's contract is thought to be worth at least $300m.

The contract had been awarded to Snamprogetti because of its technical capability, the processors offered and its track record on implementation of similar projects, an announcement in New Delhi said.

***The sub-contract for supervi*sion of the construction of the plant, which has n 40 gulf shareholding, has been given to government-owned projects and Development India Limited.**

Cuba attacks Britain's export finance policies

BY FRANK GRAY IN CUBA

A SENIOR Cuban banking official has launched a stinging criticism of Britain for being too conservative in providiog export finance.

Sr Jose Sanchez Cruz, a director of the Banco Nacional de Cuba, said the British position was much more narrow than that of Cuba's other Western trading partners. It did not appear to realistically take account of Cuba's growing trade ties with the market economy.

The British Export Credit Guarantee Department currently has a £10m short term (180 days) facility for UK companies trading with Cuba.

Sr Sanchez Cruz said Cuba had obtained more generous terms from other Western trading nations. Spain has provided soft credit covering Cuba's advance payments

Some nations had provided medium term coverage of two to three years to back the sale of capital goods, whilo other credit lines of seven to oight years are also understood to be available.

Lord Selsdon, an advisor to the Midland Bank who is leadlog a London Chamber of Commerce trade mission to Havana this week, said it was in Britain's interest to be competitive, especially in a market that is closed to the U.S.

Second airline for HK planned

HONG KONG is to have a second international airline, oporating initially on routes to China, a group of local businessmen announced yesterday, Reuter reports from Hong Kong.

Hong Kong Macau International Investment said pilots had been bired and a leasing agreement for the airline's first plane, a Boeing 737, had been signed in Londou last week.

The announcement followed a meeting yesterday between Chao Kuang-Pin, International Investment's managing director, and Hong Kong's civil aviation authorities.

Chao said he was confidont that the necessary operating rights would be granted shortly by the Chinese and Hong Kong

U.S. launches campaign to promote wine in Japan

BY NANCY DUNNE IN WASHINGTON

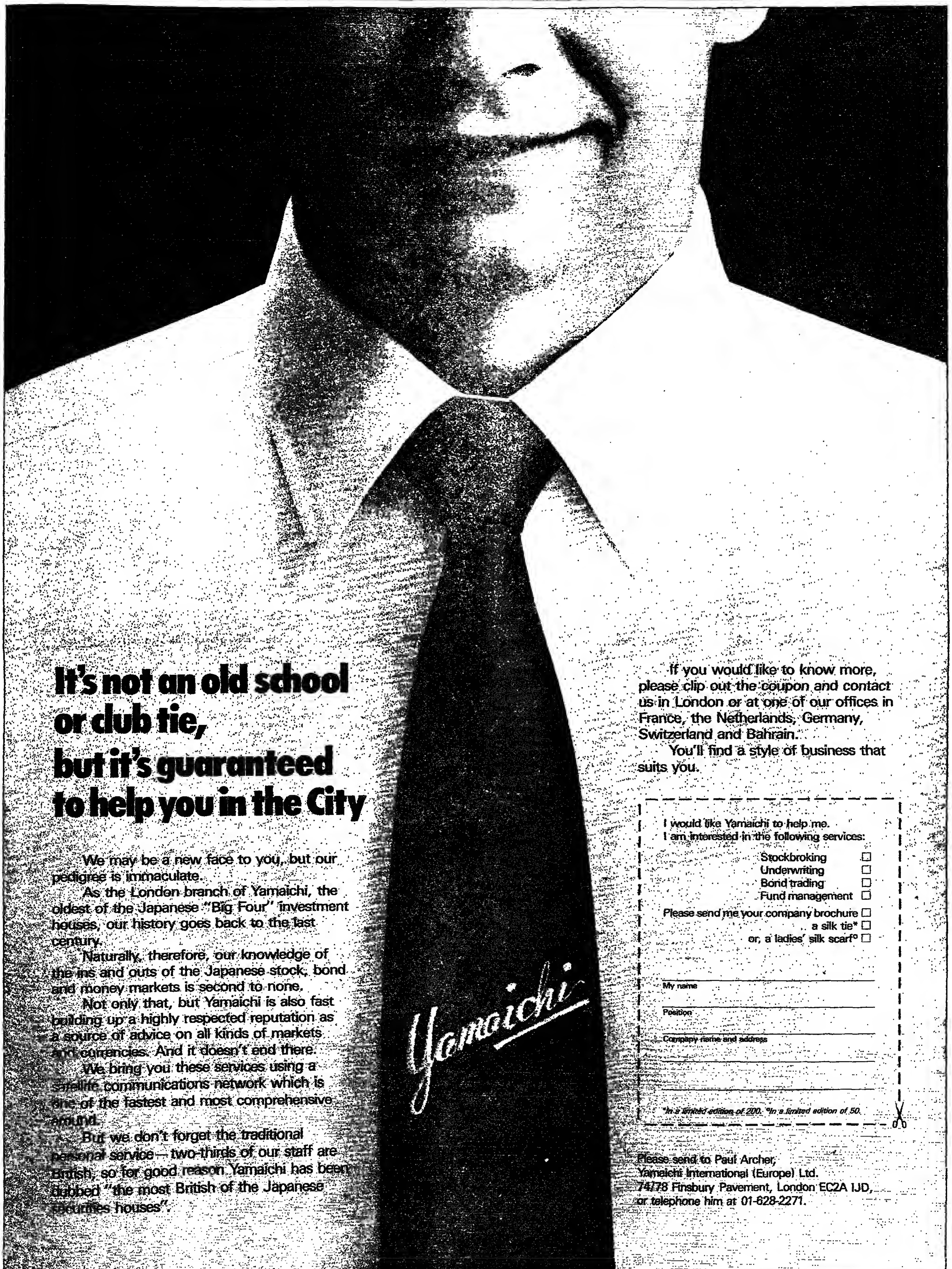
THE U.S. Department of Agriculture (USDA) is pushing its own candidate for Jepan's "boy American" campaign: American wine.

Although the U.S. sells far less wino in Japan than France and Germany, the USDA and the Wine Institute are making stremious efforts to increase the American market share. This spring they began a major promotional programme for California wines with the Institute conducting seminars for wine stewards and producing point-of-sale materials for restaurants and retail shops.

In 1983 the USDA promoted American wines, dominated by California's output, at two major ahows, and in 1984 U.S. wino exports to Japan rose by over 40 por cent, albeit from a low base, reaching an estimated value of $2.5m (£2m).

The new campaign comes at a time when Japan has just lowered tariffs on both bulk and bottled wino. Japan imports over 27m litres of bulk wine supplied mostly by Yugoslavia, Spain, Bulgaria and Chile, which have benefited in the past from lower preferential duties.

However, the tariff on bulk wines from industrialised countries has been lowered more than the preferential duty for bulk wine, a revision wbich should make U.S. bulk wine more competitive.



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Importers take nearly 60% of new car sales

By Kenneth Gooding, Motor Industry Correspondent

PROMOTIONAL campaigns by Fiat of Italy, Nissan of Japan and Renault of France helped boost the importers' share of UK new car sales last month to nearly 60 per cent compared with 53.5 per cent in April 1984.

The importers' success will cause concern among the market leaders, Ford, BL, and General Motors (the Vauxhall-Opel group) which have all been winding-down their dealer bonus campaigns this year so thet incentives have been much more modest than in the early part of 1985.

Austin Rover, BL's volume car subsidiary, will in particular be pondering the fact that its Maestro saloon disappeared from the list of top 10 cars in April because there was no extra bonus offered to dealers to promote it.

A new incentive scheme was launched towards the end of April by Austin Rover which this time offers dealers an extra £150 in bonuses on the Maestro range if sales reach agreed targets.

The company's "Challenge" incentive campaign came to a climax in the middle of April and Austin Rover's penetration was also boosted by 3,000 Montego and Metro five-door models registered by its own dealers during the month as demonstration cars.

The Rover 200 range, made under licence from Honda of Japan, crept into the top 10 after the launch of models incorporating the UK company's own 1.6 litre engine. There was a rush of orders from fleet customers who had been waiting for the Rover 216.

The British Government will be watching to see if imports continue to creep upwards towards the record 63.8 per cent reached in August 1979.

The best-selling models last month were: 1, Ford Escort (12,235 registered); 2, Vauxhall Cavalier (11,222); 3, Austin Metro (10,592); 4, Ford Fiesta (9,530); 5, Austin Montego (9,026); 6, Ford Sierra (7,920); 7, Vauxhall Astra (5,881); 8, Ford Orion (5,206); 9, Vauxhall Nova (4,402); 10, Rover 200 series (4,056).

● Mr Ray Horrocks has resigned from the board of Jaguar, the luxury car group – the second non-executive director to leave the company since it was returned to the private sector last August.

Mr Horrocks, 54, is group chief executive, cars, at BL and for five years was chairman of Jaguar at the time it was a subsidiary of the state-owned vehicles company.

The man BL found to succeed him as Jaguar's chairman just before privatisation, Mr Hamish Orr-Ewing, stood down in March and has since decided not to stand for re-election to the Jaguar board.

● Vauxhall is laying off about half of the 5,000 workers at its Ellesmere Port works on Merseyside, where production has been hit by an unofficial strike by 180 electricians.

Privatised British Gas may pursue oil interests

BY DOMINIC LAWSON

BRITISH GAS will be given a free hand to return to the business of oil exploration and production after its privatisation in the second half of next year, the Government said yesterday.

That marks a sharp break with the Government's previous policy, which was to push British Gas out of the oil business. It forced the corporation to sell its half share in the Wytch Farm oilfield in Dorset, south England, in a deal worth about £400m. Last year it sold the corporation's offshore interests via the £400m flotation of Enterprise Oil.

Sir Denis Rooke, chairman of British Gas

Mr Peter Walker, the Energy Secretary, yesterday told MPs that the Government would introduce legislation "at the earliest opportunity to provide for the transfer to a new private sector company all the assets of the British Gas Corporation, and for appropriate regulation of monopoly aspects of the gas supply business."

The Government will introduce the Bill privatising British Gas early in the next parliamentary session. It believes that it could offer shares to the public as early as the middle of 1986.

The Government is considering offering 100 per cent of the equity in British Gas in one vast initial offering. The shares would then be paid for in instalments. This would ensure that British Gas was entirely a private sector company before the next general election.

British Gas, whose chairman is Sir Denis Rooke, is likely to be sold on a yield basis as a utility stock. Although stockbrokers are beginning to talk in terms of a price tag of up to £9bn for the company, the Government has not yet decided on the crucial question of the tax treatment of a private-sector British Gas.

Last year British Gas made operating profits of £1.02bn on turnover of £6.4bn on an historic cost basis. But the Government took £521m from the Corporation in the form of the gas levy.

After privatisation British Gas will be required to charge all its domestic customers the same price. Mr Walker told MPs that a regulatory body would be set up to "oversee gas prices to the consumer and terms and conditions of supply."

Mrs Sheila Black, the chairman of the National Gas Consumers Council, warned yesterday: "We will be moving from a public sector monopoly to a private sector monopoly. The interests of shareholders are not necessarily the interests of consumers."

Mr Walker's announcement received a guarded welcome from Tory backbenchers, some of whom expressed concern that the Government had paid insufficient attention to matters of detail, such as the future of pipelines and showrooms, and the need to maintain competition.

The Labour response, while hostile, was also low-key. Mr Stan Orme, Labour's Shadow Energy Secretary, predicted that the move would create a "massive private monopoly." He did not, however, say that a Labour government would take British Gas back into public ownership – even when invited to say so by Mr Walker.

Mr Orme said there was a great deal of public disquiet about the financial propriety of the Government's privatisation programme and the huge fees earned by some financial institutions. He demanded a public inquiry before the British Gas flotation went ahead.

Motorcycle plant plan shelved by Honda

By John Griffiths

HONDA, the Japanese motor company that is poised to embark on a significant expansion of its car collaboration with Austin Rover, said yesterday it had shelved its feasibility study of a motorcycle assembly plant in the UK.

The study was formally announced in the spring of last year, but had first been mooted early in 1983 during a visit to Tokyo by Mr Patrick Jenkin, then Industry Secretary.

At the time, Honda's disclosure of the study was seen in some quarters as mainly a political move. Japanese motorcycle manufacturers' over-production had been primarily responsible for substantial excess stocks and fierce discounting in all the developed world's motorcycle markets. They had received informal warnings from the European Commission thet they might face unilateral action by EEC member countries that still possessed motorcycle industries, unless the level of imports was cut and disorderly marketing tactics abandoned.

Since then, Japanese motorcycle output and stocks have been cut back sharply. With all of Europe's motorcycle markets remaining depressed – the UK's, for example, is expected this year to be at only half the 1980 level of 315,000 units – there remains little incentive for Honda to pursue a UK assembly project.

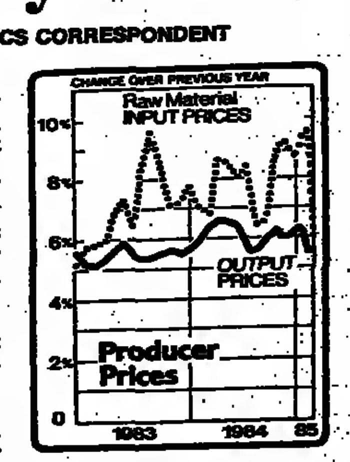
A Honda spokesman said the company's negotiations with Austin Rover, the state-owned BL subsidiary, had left little time to consider seriously plans for a motorcycle plant.

Honda has acquired a 330-acre site at Swindon, Wiltshire, to be used initially as a test and preparation centre for the XX executive car which has been developed jointly by Austin Rover and Honda.

FOOD AND MATERIALS DOWN 2.5%

Decline in industry's buying prices eases inflationary forces

BY MAX WILKINSON, ECONOMICS CORRESPONDENT



INFLATIONARY pressures eased in April, when the prices paid by manufacturing industry for food and materials fell by 2.5 per cent compared with the level for March.

Figures from the Department of Trade and Industry yesterday show that manufacturers' buying prices in April were only 6 per cent higher than 12 months ago, compared with a rise of 9.5 per cent recorded in March.

The figures also suggested that there had been little increase in inflationary pressure on wholesalers. Manufacturers' selling prices in April were 5.5 per cent higher than earlier, the same as the figure for March.

The fall in manufacturers' input prices partly reflects the usual seasonal fall in the average cost of electricity, as the spring weather reduced total demand.

Lower prices for petroleum products also helped. But the department says that some of the easing of inflationary pressure reflects the recovery of sterling's value since January.

Between March and April the index for the cost of materials other than food and tobacco fell by 3.4 per cent, bringing the annual rise of this index to 8.1 per cent compared with 14.1 per cent in March.

The department says: "This index is made up mainly of imported commodities and was therefore influenced by the appreciation of sterling."

The fall in input prices, although partly expected on seasonal grounds is, nevertheless, encouraging news for the Government at a time when retail price inflation is accelerating.

In the 12 months to March, retail prices rose by 8.1 per cent, compared with only 4.6 per cent in December. Most observers expect the inflation figures to continue to worsen until about mid-summer, as higher mortgage interest rates and the delayed effect of last year's decline in sterling push up the index.

In the second half of the year the Government is predicting that the inflation rate will moderate again. Most independent analysts broadly agree with that, although the consensus is less optimistic than the Government's forecast of 5 per cent inflation by the final quarter of this year.

Yesterday's figures for producers' buying and selling prices support the ideas that inflation will moderate after a temporary acceleration in the next few months.

That conclusion is also supported by the latest quarterly industrial trends survey of manufacturing industry by the Confederation of British Industry, the UK employers' organisation.

This survey, published earlier this month, suggested that although inflationary pressures had been increasing, costs and prices were expected to decelerate during the next four months.

Recovery in profits for Massey offshoot

MASSEY-FERGUSON Holdings, the British subsidiary of the Canadian farm equipment group, recovered profitability last year on the strength of tractor exports, particularly to North America. It said, however, that business continued to be "essentially flat."

Pre-tax profits rose from just under £1m in the year to January 31, 1984 to £16.3m last year on a 17 per cent rise in turnover to £623.3m.

MF Holdings is the largest subsidiary in the MF group, accounting for nearly half of the group tractor output and about 40 per cent of engine output. Its profits last year were well in excess of those of the group as a whole, which is still recovering from a financial crisis in 1980 and a major restructuring programme. The group made a net profit of $7.2m last year, its first profit in five years.

Tractor output at MF's Coventry plant reached 60,000 units last year, up 30 per cent from the previous year and the highest level since 1977.

□ MIKHAIL Gorbachev, the Soviet leader, has written to Mrs Margaret Thatcher, Prime Minister, affirming his country's readiness to co-operate with Britain in stopping the nuclear arms race and the militarisation of space.

His message comes in an exchange of letters between the two leaders to mark the 40th anniversary of the end of the Second World War.

□ THE GOVERNMENT suffered its first defeat in the House of Lords on the Bill which abolishes the Greater London Council and six county councils. Peers voted 152–135 for an amendment requiring Mr Patrick Jenkin, Environment Secretary to report to parliament before abolition takes place, on his plans to protect the countryside around the councils' boundaries.

□ HOUSE of Fraser, the stores group, has won full planning permission for a £45m redevelopment of the Barkers department store in Kensington High Street, in west London.

The project brings to nearly £100m the amount of capital expenditure approved by the board since the Al-Fayed family, which now controls Fraser, first purchased its 29.9 per cent holding.

□ BRITISH AEROSPACE (BAe) has won a contract from the Ministry of Defence to build a military communications satellite. The satellite is the third in the Skynet 4 series and BAe will be the prime contractor and Marconi Space Systems the main sub-contractor. No value has been put on any of the Skynet contracts.

The decision to announce the order was made by British Aerospace in the week the Government's remaining shares in BAe are for sale.

□ NATIONAL Westminster Bank is to raise its mortgage rates from June 1, moving back into line with the rates charged by other banks and by building societies.

The rate will rise by 0.625 per cent to 13.5 per cent for repayment mortgages and to 14.0 per cent for endowments (contracts linked to life assurance).

□ THE NUMBER of houses being built in Britain has fallen sharply, according to figures published by the Department of the Environment.

The number of houses started in the first three months of this year is 15 per cent down on the number started in the first quarter of 1984. The number of houses completed has fallen less sharply, although it is still 6 per cent lower than the first quarter a year ago.

□ THREAT of a strike at the Scott Lithgow shipyard on the lower Clyde receded when management reported it had received a substantial number of inquiries for voluntary redundancy. The owner, Trafalgar House, is seeking 800 redundancies because of lack of orders. Trade unions said last week that they would strike if compulsory notices were issued.

Thatcher urges general cuts in interest rates to aid expansion

BY IVOR OWEN, PARLIAMENTARY STAFF

AN ALL-ROUND cut in interest rates offered the best hope for Britain and other large trading nations to avoid a damaging backlash from action taken by the U.S. to reduce its budget deficit, the Prime Minister said in the House of Commons yesterday.

Reporting on the outcome of the Bonn economic summit, Mrs Margaret Thatcher forcefully restated her demands that Japan must open its markets to the goods of other countries.

She acknowledged that the failure to reach agreement on the launch of a new bargaining round under the General Agreement on Tariffs and Trade (Gatt) meant that, for the immediate future, Britain must rely on negotiations conducted by the EEC Commission and voluntary agreements reached by individual industries for a bigger share of the Japanese market.

Mr Neil Kinnock, the Labour leader, warned that the "do nothing" summit meant that the British and other European economies – half of whose growth rate in the past year could be attributed to the opportunities provided by the American market – were still more exposed to the dangers which could result from action taken by the U.S. to cut its deficit.

He argued that the Bonn summit should have been used to prepare for the contraction of the U.S. growth rate by planning simultaneous compensating action in the European economies, particularly in Britain.

To government cheers, Mrs Thatcher retorted that the heads of state and heads of government present in Bonn who shared Mr Kinnock's political views had been much more realistic and, as their records showed, pursued much more conservative policies.

An impressive aspect of the summit discussions, she said, was the conviction of all the governments represented that lasting job opportunities could only be created through the maintenance of sound financial policies and open markets and the removal of disincentives and unhelpful regulations, so as to foster a climate of more vigorous enterprise and initiative.

The Prime Minister declared: "The greatest thing that could happen to get world expansion would be the lowering of interest rates, which I believe will follow if there is sufficient lowering of the U.S. deficit."

Mr Michael Fallon, a Conservative MP, joined with other MPs in protesting about the methods employed by the Japanese to secure the Turkish contract for the second bridge across the Bosporus. He called for ministerial support in securing sub-contract work on the project for Cleveland Bridge, the British member of the runner-up consortium.

Mrs Thatcher said she was sure that if there was any hope of securing sub-contract work it would be pursued very vigorously indeed.

Mr Richard Hickmet, a Tory MP, insisted that despite the receptive attitude adopted by Mr Yasuhiro Nakasone, the Japanese Prime Minister, at the Bonn summit, the time had come to cut Japanese car imports by 10 per cent.

Mrs Thatcher avoided a direct response to this suggestion but said she understood why Mr Hickmet – many of whose constituents in north-east England work in the steel industry – felt so strongly. She stressed, "We have got to get free and fair trading and it cannot be free unless it is fair."

The Prime Minister maintained thet it was not right for one country to expect to make enormous profits through other countries keeping their markets open, and then to use them to finance practices which prevented fair competition taking place for orders in other areas.

'Most successful' underwriter at Lloyd's fights ouster move

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR IAN POSGATE, reputed to be the most successful underwriter in the history of Lloyd's, the London insurance market, yesterday began his appeal against the rulings of a Lloyd's disciplinary committee that recommended his expulsion from the market for life.

Details of the charges against Mr Posgate, arising from investigations made by the U.S. insurer Alexander & Alexander after it took over Alexander Howden Group (AHG) in 1982, were made public for the first time when the appeal opened at the National Liberal Club.

Lord Wilberforce, a former Law Lord who is conducting the appeal, was told by Mr Robert Alexander QC, for Mr Posgate, that he had been acquitted of all the serious charges against him.

They had alleged that he had been a party to plundering, siphoning off funds and shuffling figures of AHG for the personal benefit of himself and others.

He was found guilty of the very much less serious charges of accepting a painting and some shares, knowing that they were intended to influence him to place reinsurance through AHG.

For those offences, said Mr Alexander, the penalty recommended by the disciplinary committee was the most serious one of expulsion.

Mr Posgate is the first member of Lloyd's who has chosen to have his appeal against disciplinary proceedings, which were conducted in private, heard in public. Mr Alexander said that Mr Posgate, who has been suspended from the Lloyd's market for three years while inquiries into his conduct were made, had decided on a public hearing for two reasons.

Because of the publicity that had surrounded the matter, he was concerned that the extent to which the disciplinary committee had acquitted him of serious charges should be known.

He wished that what had been held to be his misconduct should be made public so that all might know the limits of the surviving charges against him, and the material on which they were based.

Mr Alexander said that Mr Posgate had been linked with serious complaints made by Alexander & Alexander against the four men principally involved in AHG's affairs: Mr Kenneth Grob, the chairman; Mr Ronald Comery, his right hand man; Mr Jack Carpenter, the senior underwriter; and Mr Allan Page, the group's accountant.

The charges concerned the alleged misappropriation of funds from AHG which were used to set up a reinsurance company, SIR, said to be owned by the four Howden men.

It was alleged that SIR funds which had come from reinsurance placed through AHG had been used to finance the purchase of shares in the Geneva-based Banque du Rhône et de la Tamise for the personal benefit of the four and Mr Posgate.

It had also been alleged that some of the defendants had plundered SIR to obtain personal benefits and had seriously falsified AHG accounts by shuffling figures.

Mr Alexander said that anyone found guilty of those serious charges would have been involved in as substantial dishonesty in the conduct of the affairs of a public company as could be conceived.

"Mr Posgate was acquitted of those serious charges." He had been acquitted of knowing who owned SIR and of being a party to the misuse of funds, Mr Alexander added.

He had, therefore, been acquitted of the suggestion of any wrongdoing concerning the funds of his "names" – the members of the Lloyd's syndicates for whom he acted.

That, said Mr Alexander, was of great importance, not only for the appeal, but also for Mr Posgate's reputation for his service to his "names," for whom he had made more money thet any other underwriter in Lloyd's history.

The disciplinary committee had held that Mr Posgate had received a painting from Mr Grob, knowing it was intended to influence his future underwriting activities.

It had also held that a trust of which Mr Posgate was the beneficiary, and which he controlled, received 10 per cent of the Banque du Rhône shares, which AHG had sold to a syndicate put together by Mr Grob.

The committee held that Mr Posgate had known thet he had been given the shares to influence his placing of reinsurance in favour of AHG.

Mr Posgate had also been held not to have corrected what he had known to be a false statement by Mr Grob about the ownership of the Banque du Rhône shares, made at an extraordinary general meeting of AHG in August, 1980.

Mr Alexander said that Lord Wilberforce would be asked to consider two things:

Whether the findings against Mr Posgate were justified, and whether, in any event, it was appropriate thet he should lose his livelihood for good.

The hearing continues today.

Large coalfield discovered in Yorkshire

BY MAURICE SAMUELSON

THE NATIONAL Coal Board (NCB) has discovered a major coalfield in North Yorkshire, close to that in the Selby area which it is developing at a cost of more than £1bn.

The new coalfield, in the geological area known as the North Ouse prospect, is north of York and covers 70 sq miles.

Mr Michael Eaton, North Yorkshire area director and NCB spokesman, said yesterday that the coalfield might be brought on stream some time in the 1990s. It would ensure that North Yorkshire remained one of the country's biggest coal producing regions.

He said the new field, which would provide well over 2,000 jobs, would supply coal primarily to industrial customers rather than power stations.

The board has sunk about 30 bore holes between York and Boroughbridge. It has already begun detailed planning to extend the North of England's biggest colliery at Kellingley which Mr Eaton expects to be completed in five years.

The board is also planning to increase the output from the Wistow mine, one of five which make up the Selby complex. The board losses at Selby, because of the recent miners' strike and problems with water, have cost it several million pounds.

The whole Selby field, when completed, is due to produce 10m tonnes a year, all of which are likely to go to the nearby power station at Drax.

In this financial year production at Wistow is likely to reach 1.3m tonnes, compared with its scheduled output of 2m tonnes if it had not been affected by the strike and flooding.

To make up the cost in the project's cash flow, the board hopes to produce 2m tonnes at Wistow next year, rising to between 2.3m and 2.5m tonnes the year after.

The coal from all five pits in the Selby complex is brought to the surface via two spine roads which are still in the process of construction. The first coal from the next mine in the Selby field, at Stillingfleet, is due to be produced in March of next year.

When fully operational, the Selby field will have an underground workforce of 4,000 men.

● The NCB has announced it is to spend £2m on a fresh offshore exploration programme in the Dee estuary, North Wales.

The exploration will take place in tidal waters near the Point of Ayr colliery, which produces 450,000 tonnes of coal a year and employs 700 men. It will start later this month with a seismic survey, followed by the drilling of boreholes.

Companies seek stake in plant laboratory

BY DAVID FISHLOCK, SCIENCE EDITOR

SEVERAL LEADING agro-chemical companies including ICI and Royal Dutch/Shell are interested in buying part or all of a government laboratory, the Plant Breeding Institute, which is seen as an important national centre of biotechnology research.

Their interest raises awkward questions for a Government committed to privatising state-owned resources wherever that might be done profitably because it has expressed no intention so far of selling off this Cambridge laboratory.

The Government recently withdrew its offer to sell off another laboratory, Warren Spring, which specialises in chemical engineering, after finding little private-sector interest.

But the Plant Breeding Institute has close links with the National Seed Development Organisation, a public-sector seed company owned by the Ministry of Agriculture, which the Government plans to sell.

The institute is one of the research centres of the Agricultural and Food Research Council, with a budget approaching £3.5m a year.

For ICI, with a growing interest in the genetic engineering of crops, the institute could be a valuable expansion of its research base in the bio-sciences.

The institute's official remit is to breed arable crops for British and, increasingly, for West European conditions, and to do the underlying science required to implement new agricultural technology.

ICI recently bought a large stake in a U.S. seed company, Garst Seed, to provide a commercial outlet for its own research. For Shell, with its own specialist seed company Nickerson, the primary interest appears to lie with the National Seed Development Organisation.

The agriculture ministry is at present conducting an internal review into the sale of this company, and into its relationship with the institute.

Andrew Fisher reports on a marine controversy

Paint blamed for sick oyster-beds

MISSHAPEN oysters and tin-based marine paints are the unlikely causes of an environmental tussle that has ranged oystermen and conservationists against yacht owners and paint companies.

At first sight, the issue seems a simple one. Do the paints used by yachtsmen to stop fouling by barnacles and weeds also harm oysters, the succulent but notoriously sensitive bivalves?.

Yes, say oystermen, who have convinced the Government of the need to bring in new rules that would prevent the sale of paints with organo-tin compounds – the most efficient anti-fouling agents – to owners of boats under 12 metres long. The Department of the Environment wants submissions from interested parties by next Tuesday.

No, or almost no, say the yachtsmen and paint manufacturers, who argue strongly that the research leading to the proposed government rules was inadequate. They are, however, prepared to reach a compromise that would ban some types of tin-based paint.

It is here thet the issue becomes complex. Not only is there more than one type of oyster, there is more than one type of tin-based marine paint. The oyster in question is the Pacific oyster, or *crassostrea gigas*, brought into the UK because of breeding problems with the native oyster *(ostrea edulis)*.

Both the yachtsmen, of whom the Royal Yachting Association represents 80,000, and the paint makers accept that there may be a case over *c. gigas*. This type of oyster accounts, though, for a small part of the £1m-£2m annual turnover in oysters in the UK.

They do not agree that native oysters, whose extreme susceptibility to climate, disease, or pest led to the introduction of the Pacific variety, have suffered from the paints. Paint makers, in particular, are worried that sales to world shipowners might suffer from any form of ban in the UK.

The Department of the Environment has based its action on findings by research scientists of the Ministry of Agriculture, Fisheries and Food. It wants the rules, which would ban sale not use, to go through the House of Commons before the summer recess.

The Ministry of Agriculture's scientists concentrated on the Pacific oysters, which had shown serious shell deformations. They concluded that tributyltin (TBT) compounds used in the paints affected growth of the oysters, even in the minutest amounts.

The TBTs used in anti-fouling paints were, said the Ministry of Agriculture, "probably the most toxic pesticides deliberately introdueed into the marine environment." Many marine organisms were harmed by concentrations equivalent to one teaspoonful in a million gallons of water. "Yet such concentrations now exist in many UK estuaries where large numbers of small boats are moored."

What the ministry tests showed, it added, "may just be the tip of the iceberg." Small concentrations might stop the growth of certain marine phytoplankton, the marine equivalent of grass.

What the Paintmakers Association has suggested is a ban on sales to small boat owners of paints in which the TBT is freely released from the craft's surface, and more studies on the copolymers where the release of the defouling agent is slower and more controlled.

Copolymers account for some 40 per cent of the TBT paint sales to UK yachtsmen, which total 250,000 litres a year worth more than £2m. (The alternative is less efficient copper-based paint.) The worldwide market for these paints, which save fuel through keeping hulls smooth, is well over £100m.

It is that which the paint companies, with International Paints, the Courtaulds subsidiary, as the market leader, do not want to see jeopardised by what they see as hastily drawn-up rules.

TECHNOLOGY

EDITED BY ALAN CANE

Spiralling cost of faulty software

Peter Marsh on the increasing problems of unreliable computers

ENGINEERS ARE becoming increasingly concerned at the difficulty of assuring the reliability of the complex software that runs modern computerised equipment, anything from cars and washing machines to weapons systems or chemical works.

While accidents caused by software faults in such equipment are relatively few, companies around the world are worried as the escalating costs of testing the programs which often outstrip by far the effort needed to write them.

As a result, work is under way, particularly in academic centres, to devise new routines both to reduce the chance of errors and to cut the time needed to test software.

Not all companies that produce equipment based on computers may be conscious of software safety. Because of commercial pressures or lack of expertise, such companies may fail to check adequately the reliability of the embedded programs that control the hardware. Already, several "horror stories" have emerged to illustrate what can go wrong on these occasions (see panel).

One view is that, as small, cheap computers continue to find their way into more items of consumer and industrial equipment, the problems over software reliability may become virtually unmanageable by the next decade.

"Ten years ago, verification of software was considered a very far-out, long-haired type of activity," says Professor Roger Needham of Cambridge University's computing department. "But now we have people from *industry ringing us up and asking for help.*"

Prof Needham says that Britain faces a severe shortage of specialists in mathematics and logic who have the skills to test the sometimes millions of lines of computer code that form the instructions needed to operate modern electronic systems.

The outlook is little better in the U.S. Mr Larry Fewell, manager of vehicle-software development for General Motors, says that the problem of generating programs is "trivial" compared with the job of testing the software.

The second task can take 10-100 times as much effort as the first, says Mr Fewell, who is in charge of producing the programs for the tens of millions of microprocessors that General Motors installs in its new cars every year, to control anything from radios to fuel injection.

Mr Fewell heads a team of some 70 engineers, most of them in Kokomo, Indiana, who write the software. Before the programs enter the computers in cars coming off the production line, the software is tested by these people and also by perhaps two other teams of engineers in plants around the world.

Professor Nancy Leveson, a specialist in software safety at the University of California at Irvine, says that companies in the relatively new area of unmanned manufacturing may encounter problems in ensuring the reliability *of, for example,* systems that link robots to arrays of computerised machine tools.

Companies want to make sure that plants run without breakdowns that would jeopardise production and also that they do not suffer faults that could cause accidents. Pratt and Whitney, the aeroengine manufacturer, and Gould, the electronics company, are among the enterprises that have contacted Prof Leveson about software safety.

"The factory-automation industry may be entering new territory that isn't at all well explored," says Prof Leveson.

The main problem in testing software is the buge number of possible pathways through the complicated tree-structure of computer programs. Thia is best illustrated in the software needed to control a modern chemical works, for instance to keep track of factors such as temperature and pressure and to adjust valves and other actuators.

In such systems, the numher of pathways can run to 1050, according to Dr Philip Bennett, director of the Centre for Software Engineering, a technical consultancy based in Flixborough, Lincolnshire.

To test even a small proportion of these possible paths would take hundreds, if not thousands, of years. As a general rule, therefore, the bigger companies that run process plants insist that all computer systems which rely on software are backed up by a second system which swings into operation if the first suffers a fault.

ICI, for example, says that its chemical plants are protected by back-up systems wbleh are based not on software but on electromechanical components ("hard-wiring") that will shut down the factory in an emergency.

Dr Bennett eays that these safety-conscious attitudes may not be ehared by all of industry. Ahout half the chemical plants in Britain do not have back-up systems, he says, and the ratio may be still less in other countries.

"Because of sheer economics, the back-up is often left out. I have been to a chemical plant wbere the computer control was left to three untrained software engineers whose only knowledge was gained through writing pro*grams on* e *BBC Micro.*"

Dr Bennett says that in many areas of industry concerned with computer control, testing of software is given scant attention or ignored because of shortages of time or expertise.

The problem may be worse in companies providing consumer equipment in which, says Dr Bennett, microprocessors are edded simply as a marketing gamblt and with scant knowledge on how to make them work properly with reliable software.

Mr Peter Brown, chief engineer at GEC Energy Systems (which makes control *equipment* for *nuclear* plant and other kinds of factories), says that when selling his company's services, customers ask him not ebout the cleverness of his software engineers but about procedures to assure the quality of software.

But hig companies that spend time and effort testing software may sometimes find they have trouble competing with the smaller fry that cut corners on reliability of programs, says Mr Brown.

How things can go wrong

THESE ARE some examples of software faults in areas of consumer and industrial products:

● Domestic appliances: a manufacturer of washing machines found that the microprocessor controlling drum speed went awry due to a software fault. As a result, the drum tried to speed np to an infinite velocity. The machine contained no electro-mechanical safety system to stop this happening.

●Cars: the computer in charge of a cruise-control mechanism suffered a fault, locking a *particular make of* car into a set speed. Thus when the driver took his foot off the accelerator, the vehicle refused to slow down.

● Health-care equipment: a patient-monitoring system in a hospital started pumping air into a patient'a lungs at *the wrong* time, *putting* the person at risk. In the U.S., cases have been recorded of heart pacemakers becoming inadvertently reprogrammed to speed np, perhaps due te microwaves from anti-theft alarm equipment in stores.

● Lifts: an engineer *forgot to program in limits* to the control system supervising a lift in a building. As a result, the lift crashed into a basement.

● Process industry: an incorrect sequence of computer code caused a materials-handling system for a nuclear plant to judder uncontrollably instead of smoothly delivering fuel rods to the correct positions of a reactor. The fault was spotted before the system entered full operation.

● Engineering industry: networks of automated systems, comprising computerised machine tools and robots for example, rely increasingly on blocks of complicated software in central computers. In commissioning a new plant, workers normally spot *most* of the obvious software errors, or "bugs," but can never be sure they have erradicated all of them.

● Military systems. Space-tracking equipment operated by the U.S. Air Force has suffered from a series of well-publicised incidents in which errors in software gave military officials the impression the U.S. was under attack from the Soviet Union. Related to such occasions are faults in space hardware. For instance, the second flight of the U.S. space shuttle Columbia was delayed for about a week after the software in a computer refused to let a human operator take over manual control.

A Barclay's executive training at tho bank's London "Information Centre"

Back to school for bankers

Professional Personal Computing

BY ALAN CANE

HOW DO you create and maintain computer awareness in an organisation without resident data processing professionals? How do you plan for computerisation if yon have no background in information tecbnology?

If you are a manager in Barclays Bank, yon take advantage of a training service run by Radbroke Hall, the bank's management services department.

Actually, you don't have a great deal of choice—anybody who wants to install a personal compnter anywhere in the bank has to get permission from David Johnson, senior project manager of the personal computing group at Radbroke.

The bank is backing its judgment that personal computer literacy is going to be e key skill for its staff to possess to the tune of £2.25m a year.

It has established a network of *four* "*information centres*" in Poole, London, Northampton and at Radhroke Hall itself, where bank staff can telephone for advice, get hands-on experience of the hardware, visit for training courses and take advantage of the specialist knowledge of the consultants available.

"It's a question of breaking through psychological harriers at first," says Mr David Casson, manager of Barclays Brook Street branch.

Brook Street is one of the key branches Barclays has marked out for special attention to corporate customers as it goes through its rationalisation.

Mr Casson understood very well the advantages thet personal computers could bring in terms of better marketing and quality control for be had had substantial experience of compnting in financial modelling and the like.

But as e banker, he had little *idea how to put together* e deta processing strategy. After he and hia staff had run the information centre gamut, bowever, be was able to pnt together a team of about 12 managers and staff running two IBM PC/XTs and all "quite computer literate."

Barclays is not unique in setting up computer training centres for its staff, but it is certainly one of the most advanced.

Two years ago there were only some 20 microcomputers in the bank—chiefly Apples—although it hed a policy of making machines evailahle to managers who could pnt up a case for personal computing.

Now there are more than 650. Each is bought for the user by the management services department, at a cost to the hank of ebont £1.5m a year. Software costs a further £250,000.

The information centres have established a product set which they feel covers almost every personal compnting need. Hardware is invariably the Apple II *or*, more recently, the IBM PC.

The Lotus 1-2-3 integrated spreadsheet is the usual choice for the IBM; Visicalc for the Apple.

PFS and Dbase II are the usual choices for filing systems and Displaywrite II is becoming standard for word processing.

"Information centre" is perhaps a little misleading; IBM'a idea that companies should have a small computer for the direct use of company executives using intelligent terminals goes hy the same name.

Mr Johnson of Radbroke Hall believes the Barclays centres could move towards the IBM model in the next few years; be also thinks the facilities provided by the centres could be made available to Barclays customers as well as to its staff.

Unmanned bandsaw for alloys

MAHER, nickel alloy stockholder of Sheffield, England, has installed a computer-controlled bandsaw which can operate unmanned without fear of expensive mistakes.

The saw, *built* by The Addison Tool Company, is designed to cut super-hard alloys monitiorng the accuracy of the cut as it does so.

Conventionally, the cutting of these super-hard billets has been a manned operation because the presence of hard spots in the metal can cause the blade to run off course.

Human operators can spot single occurences and make corrections for the next cut. But an unmanned saw without hlade deflection monitoring could ruin a £30,000 billet in a single night.

The worst that can happen according to Mr Geoff Watts, Maher's works manager, is that the monitor detects an abnormality during cutting and shuts the machine down automatically.

Petroleum analysis

PHILIPS ANALYTICAL has developed an automatic gas chromatography system for hydrocarbon-type analysis in petroleum fractions.

According to Philips the PU4500 is simple, rugged and capable of producing highly repeatable results. It gives a measure of the total aromatics content of the sample and of the saturated paraffins and naphthenes by carbon number up to C11.

Detailed analysis of the aromatic components can easily be performed separately by conventional capillary chromatography, Philips says.

RESOURCES REVIEW

The case for trading power in Europe

By Andrew Holmes

THE UK's cross-channel electricity link with France, which comes into full operation next year, marks a further advance in hooking op the grids of continental Europe.

Almost every European country *is involved in* cross-border electricity trading. The volumes involved are increasing yearly. In most cases, electricity interchanges simply allow utilities to supplement power supplies at peak periods. But in some countries, electricity imports are becoming s basic supply source. For government and utility planners, this presents a dilemma, as imports are perceived as a threat to domestic power industries.

There are two interchange networks in Europe. The Scandinavian countries operate a ssif-contained system called Nordel. Cootinental European countries are more loosely grouped together through the union of electricity producers and transporters (UCPTE) which aims to further co-operation between electricity producers. The two systems are interlinked through Denmark. In sddition, Austria and Finland have grid connections with East Europe's integrated grid.

Trade within UCPTE, until recent years, consisted of offtakes by neighbouring countries of cheap hydro-electricity from Austria and Switzerland and of West German coal-generated power. With the onset of France's nucleer power programme, this has changed. France is now by far the largest net exporter of power, with nearly 25 Terawatt hours (Twh) (One Terawatt=1m million watts) sold last year, compared with 13TWh in 1983.

Recently-set government targets call on state utility Electricite de France to double this by 1990 and to further increase exports beyond that date. The UK will undoubtedly *be s contributor to this increase* and se will Italy, which doubled its electricity imports between 1983 and 1984, to become the largest net importer within UCPTE.

Italy's new energy plan, drafted by the industry ministry and now being considered by the parliamentary energy *commission, betrays a good deal* of nervousness over imported power. The Italians remain 45 per cent dependent on oil for power generation and have been trying in vain for the past five years to get a substantial nuclear programme under way. While import prices remain secret, it is well known that imported French power is chsaper than any Italian electricity *except that generated by* hydropower. Government planners are caught batween the need for cheap supplies and the worry that imports might discourage the construction of power stations in Italy.

A slightly *different* worry faces the UK. The country is not involved in s major power station construction programme and the French link is unlikely to infloence the Government's decision over the proposed Sizewell pressurised water reactor. The link, however, will take its place in the CEGB's "merit order," which governs the *sequence in which power stations* are brought on line as demand increases.

Cross-channel electricity will almost certainly be high on the list — perhaps just below the UK's own nuclear-generated *electricity. In this case, it will* displece the coal-fired stations near the bottom of the merit order, taking a substantial bite out of power station demand for UK coal. In constant use, the link might displace some 4m tonnes of coal *annually*.

While the link presents the UK with an embarrassment of *riches in choosing its electricity* sources, other countries import oot of necessity. In Greece, for example, electricity demand is increasing by over 6 per cent a year — faster than any other European country — while the *state utility PPC seems unlikely* to succeed with its lignite exploitation programme which was intended to soak up rising electricity demand.

Greek electricity imports have risen from 0.7 TWh in 1982 to *1.8 TWh* in 1983 and 2.5 TWh last year, when imports accounted for over 9 per cent of total electricity consumption. The Soviet Union and Albania are the main suppliers, along with Austria and Italy. A pricing dispute led to Bulgarian imports being cut off in April last year. PPC has ambitious plans for a chain of lignite-fired power stations, to come into operstion by the 1990s. But even if these go shead—and the omens so far are not good —imports will play an important, and probably increasing, role for the remainder of the 1980s.

Austria, once a substantial exporter of electricity, is fast moving towards becoming a consistent net importer. Its attempt to get a nuclear power programme underway was stopped dead by a 1978 referendum, while the mainstay of its electricity economy, hydropower, has run into severe environmental opposition. Austria is tied into the East European grid system through a link et Durnrohr. Its main *suppliers* are *Poland* and the Soviet Union. A contract signed with Poland, for 400 MW a year, runs until 1999, while a contract for 300 Mw a year from Russia came into operation this year and will run *for 20 years*.

The prospect of large volumes of East bloc electricity coming *into Western Europe has been* raised many times but the Austrian experience shows the unlikelihood of this happening in the near future. Eastern European countries, including Poland, were barely able to meet *their own requirements* during the hard winter of 1984-85 and supplies to Austria were disrupted. Switzerland and Germany stepped in to fill the gap. If Czechoslovakis's plans for s massive nuclear power programe become reality, the prospect of sales to the West may improve but there are indications in the past 18 months that the Czechs have run into trouble. East Europe's own voracious appetite for electricity will, in any case, have to be satisfied first.

For the foreseeable future, France will be the "powerhouse" of the UCPTE member countries, although Switzerland and West Germany may also have increasing amounts of current to sell as their nuclear expansion continues. UCPTE itself is no more than a loose grouping of countries with a common interest; it plays no regulatory role in the market. Decisions on import levels remain with national utilities and governments. Given the nationalism of the electricity *industry, it is likely that* imports will continue to be seen as e necessary evil and a substitute for, or threat to, the ideal of electiricity self-dependence.

Nevsrtheless, the advantages of an integrated grid system *have been conclusively demonstrated* by Nordel, which aims to promote co-operation in electricity production among its member countries, Norway, Denmark, Sweden, Finland and Iceland. Nordel was founded in *1963 but its origins go back* to 1915, when a submarine cable link was laid between the grids of Denmark and Sweden.

The Nordel system comprises 13 interconnections between member countries (excluding *Iceland*) along with *two* between Denmark and the UCPTE system. A further link, between Finland and Sweden, is planned for completion in 1990, with a capacity of 420 MW. This will bring interconnection capacity within Nordel to over 5,000 MW.

The Nordel hook-up allows the nuclear-based generating systems of *Finland* and *Sweden* to be topped up with Norwegian hydropower. Denmark's largely coal-based system enjoys a similar benefit. Taken as a unit, the four main Nordel countries have a near-ideal *generating* profile.

Nordel proved its value in December 1983, when a substation fire at Enkoping, west of *Stockholm*, plunged 7m of Sweden's 8m inhabitants into darkness. The fire caused a grid imbalance which forced all of Sweden's 10 nuclear reactors to shut down under emergency conditions. Blackouts lasted up to eight hours in some parts of the country, no laughing matter in the depths of a Swedish winter. As wall as turning on every available hydro unit and auxiliary turbine, the Swedish power board was able to call in emergency supplies from the rest of Nordel.

Coping with grid malfunctions is a subsidiary purpose of electricity interchanges. Their *main benefit* is to smooth out imbalances in different countries' generating capacities. It is clear that, among European countries, these imbalances are becoming more marked. At one extreme is France. Even if it orders no more nuclear stations, France's nuclear capacity will double by the end of the century as units now under construction come on line. At the other end of the scale, Italy and Greece face problems in power station construction which look intractable.

There are no technical obstacles to ironing out the imbalance in a way which could satisfy all concerned. Switching and transforming equipment has reached an extremely sophisticated level, so that current can be re-routed almost instantly. Yet obstacles to increased electricity trade remain.

The notion that a country should be independent in electricity production is very tenacious. Countries whose import levels far out-run their exports tend to be sheepish about the fact, and to assure the world in general that such e situation is no more than a temporary expedient. Electricity utilities are expansionist *by nature and react strongly* against anything that threatens their capacity building plans. They argue that security of supply is threatened by dependence on external producers.

If the self-sufficiency argument holds sway, and power station construction continues apace, while demand stagnates, Europe will be building itself *into* a position of massive surplus. If, on the other hand, the continent's generating profile can be seen as a unity and the surpluses in northern Europe be allowed to cancel out the shortages in the south, utilities which are already financially stretched can be saved further problems resulting from capital expenditure on power station construction. At the same time, northern European power stations capable of producing cheap power need not lie idle.

For this situation to come about, utilities and energy departments will have to teach themselves — or be taught by international bodies such as the EEC and IEA—to stop worrying and love imported power.

Andrew Holmes is editor of FT European Energy Report.

EUROPEAN ELECTRICITY TRADE

(1984 figures, in Gigawatt hours)

	Imports	Exports	1984	1983
Austria	5,401	6,725	+1,324	+3,490
Belgium	4,453	4,143	−310	+498
Denmark	7,045	2,160	−4,885	−4,207
Finland	5,608	422	−5,186	−4,798
France	5,297	30,058	+24,571	+13,414
West Germany	19,549	15,449	−4,100	−10,395
Greece	2,589	30	−2,556	−1,883
Italy	21,927	1,080	−20,847	−11,082
Luxembourg	3,800	369	−3,432	−3,299
Netherlands	4,156	673	−3,483	−4,645
Norway	662	8,886	+8,224	+13,402
Portugal	n/a	n/a	n/a	−1,310
Spain	5,304	2,990	−2,314	+110
Sweden	5,685	5,292	−393	−4,948
Switzerland	16,306	21,001	+4,695	+9,250

Source: FT European Electricity Quarterly.

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EUROPEAN INDUSTRY

Creditanstalt cleaves away from its industrial holdings concern

BY PATRICK BLUM IN VIENNA

MAJOR CHANGES are on the cards for the industrial holdings of Creditanstalt Bankverein, Austria's largest bank. These will include further restructuring of the group, selling some of the holdings and a Government cash injection aimed at pulling the most troubled companies out of the red.

Creditanstalt will shortly decide on plans to distance the bank from its affiliates and ensure the survival of those of its industrial holdings which are most in trouble, with the help of Government aid. Dr Hannes Androsch, the bank's director-general, wants a clearer distinction between the banking and non-banking businesses.

A management company with overall responsibility for the non-bank holdings, or "concern," as they are called, is to be set up. Creditanstalt will remain legal owner of the concern, but the move will reduce the direct involvement of senior bank executives in its affairs.

Special reserves

The move has the support of the Finance Ministry, which believes that it will help the bank's image internationally, but for domestic reasons it also wants Creditanstalt to remain ultimately responsible for its industrial holdings. "We don't want to find ourselves directly involved or financing individual companies. Creditanstalt has to remain responsible," one official says. To that effect future government assistance will be provided to the management company through the bank.

Some of the bank's industrial holdings have been losing money for years. Dr Androsch says that they have cost the bank some Sch 10bn ($471m) in the past 14 years in write-offs, special reserves for losses, loan losses and refinancing costs. He evidently thinks that enough is enough. "They've got to make money. We must get a fair return on our investment," he says.

The future of the concern is important for Austria. It employs 42,800 workers, roughly 7.7 per cent of the country's industrial workforce. It accounted for sales worth Sch 52.2bn ($2.46bn) last year up Sch 600m on 1983—with a sizeable amount going for exports.

Some of the concern's losses were made good by the Government but neither Creditanstalt nor the Government can afford to finance losses indefinitely. Dr Franz Vranitzky, the Finance Minister, has made it clear that future state support will depend on improvements and he has asked for a full report from Creditanstalt and its companies outlining plans to restructure the concern. Reports from Maschinenfabrik Andritz (industrial plant construction and engineering) and Maschinenfabrik Heid (machine tools and agricultural equipment)—two of the major lossmakers—were delivered to the Ministry in April. A report from Steyr-Daimler-Puch, the troubled motor and engineering group, is expected soon.

Dr Androsch says that the bank will require Sch 7.3bn from the Government to restructure the concern fully. In support he argues that there has already been a significant improvement in the concern's fortunes.

According to recent figures the concern's losses were cut by about two thirds from Sch 2.1bn in 1983 to under Sch 700m last year. Dr Androsch believes that the concern could show a consolidated profit of Sch 500m in 1985.

This would represent an important turnaround, but Dr Androsch wants each company to make a profit, and that will mean tough decisions for at least four companies: Maschinenfabrik Andritz, Maschinenfabrik Heid, Steyr-Daimler-Puch, and Stolzle-Oberglas, which manufactures glass.

Last year these four together had losses totalling over Sch 2bn. Semperit, the troubled tyre group also owned by the bank posted a loss of Sch 114m, but it is considered now to be mending well, following substantial restructuring and with financial help from the Government. Semperit will also benefit from the sale earlier this year of its 50 per cent share in Semperit-Kern of Canada, and of a small manufacturing plant in Wimpassing, near Vienna. Hutter und Schrantz, another concern company which made a small profit last year, sold off one of its plants in Klagenfurt in March.

Dr Franz Vranitzky, the Finance Minister: he has made it clear that future state support for the holdings will depend on improvements.

Andritz and Steyr are the most problematic of the companies. Stolzle-Oberglas is expected to overcome its difficulties without Government help, with a new cash injection likely from Creditanstalt. Steyr and Andritz will require Government help. Steyr has made losses since 1981. These climbed to Sch 690m in 1982, fell to Sch 298m in 1983 and remained at just under Sch 300m last year. The company suffered from the decline in the European bicycle and moped industry, from difficulties in its overseas operations and from Government restrictions on arms sales. Losses may climb further following problems with a deal struck last year to sell China some 2,000 lorries. The deal was worth Sch 1.3bn, but higher-than-planned production costs are now expected to result in losses over the contract. Steyr is seeking a commitment from the Government for guaranteed sales to the Austrian army for the next 10 years with a total value of Sch 8bn. Failing that the company will require Government financial aid or face the closure of some of its operations.

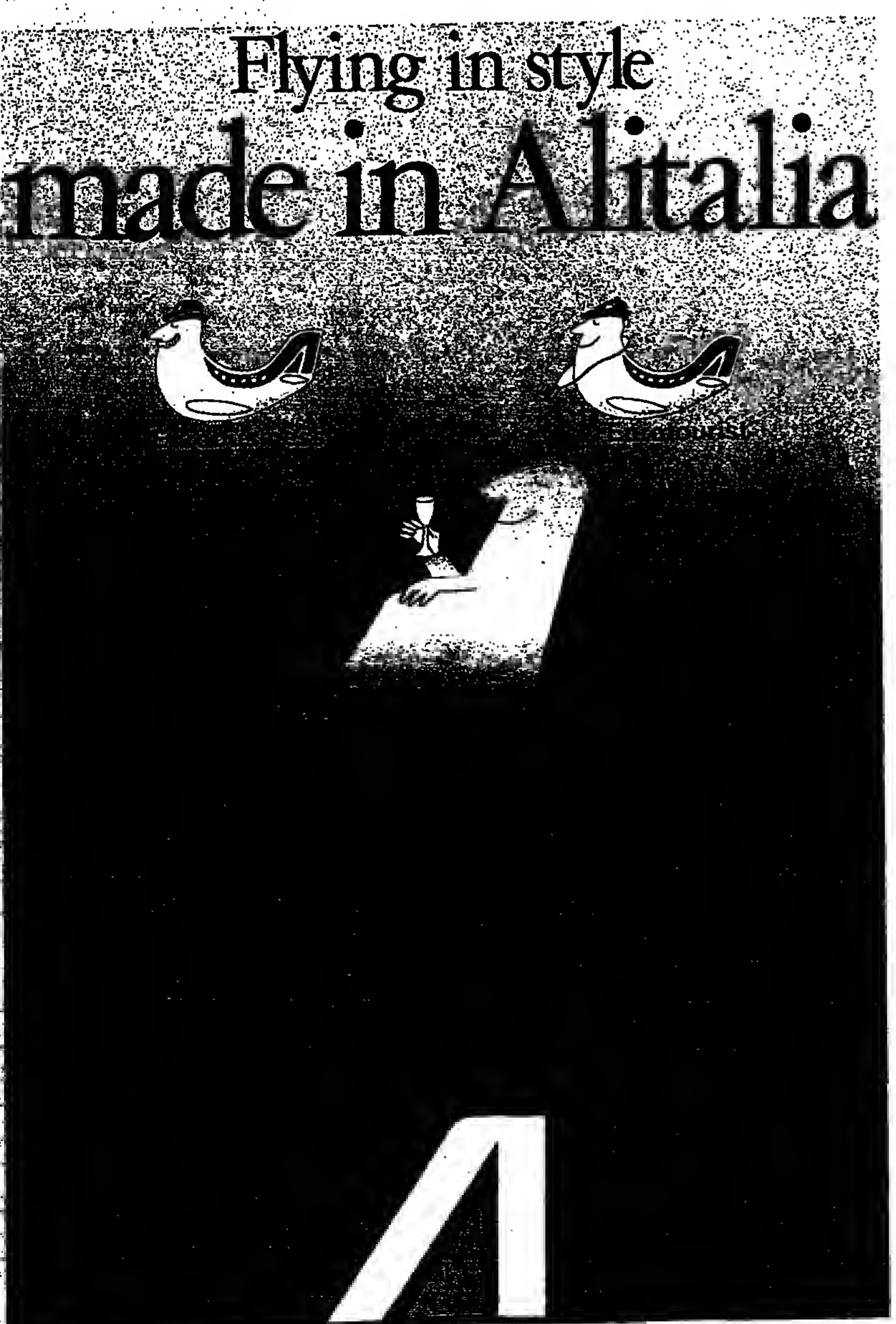
Andritz is currently the biggest loss-maker. Accumulated losses since 1982 forced the Government to choose between paying for the losses or facing the company's closure. In 1982 losses were about Sch 300m. They surged to Sch 1.47bn in 1983 and Sch 1.33bn last year. These were too much to swallow even for Creditanstalt and the Finance Ministry agreed to provide up to Sch 2.8bn to keep the company afloat.

Andritz's problems are manifold: Herr Ludwig Pfeiffer, its recently appointed managing director, says that there was poor project management and that the company had overreached itself by taking on responsibility for turnkey projects for which it had no former experience. This, combined with inadequate marketing, a downturn in work markets and unforeseeable problems caused by the Iraq-Iran war, which led to heavy losses on contracts in Iraq, compounded the company's difficulties.

Need for more money

Herr Pfeiffer believes that he can turn the company round, but before that happens, he says, he will need more money. He is convinced that Creditanstalt will give him the necessary support. "My argument is simple. We were given Sch 2.8bn for the past, so why not give us a few additional hundred million schillings for the future?" That, he says, makes sense from everyone's point of view. The bank and the Government have agreed in principle, providing Andritz's plans for the future stand up to close scrutiny.

Dr Androsch, for his part, will have to convince the Government that it will not be throwing good money after bad when he asks for more subsidies later this year.



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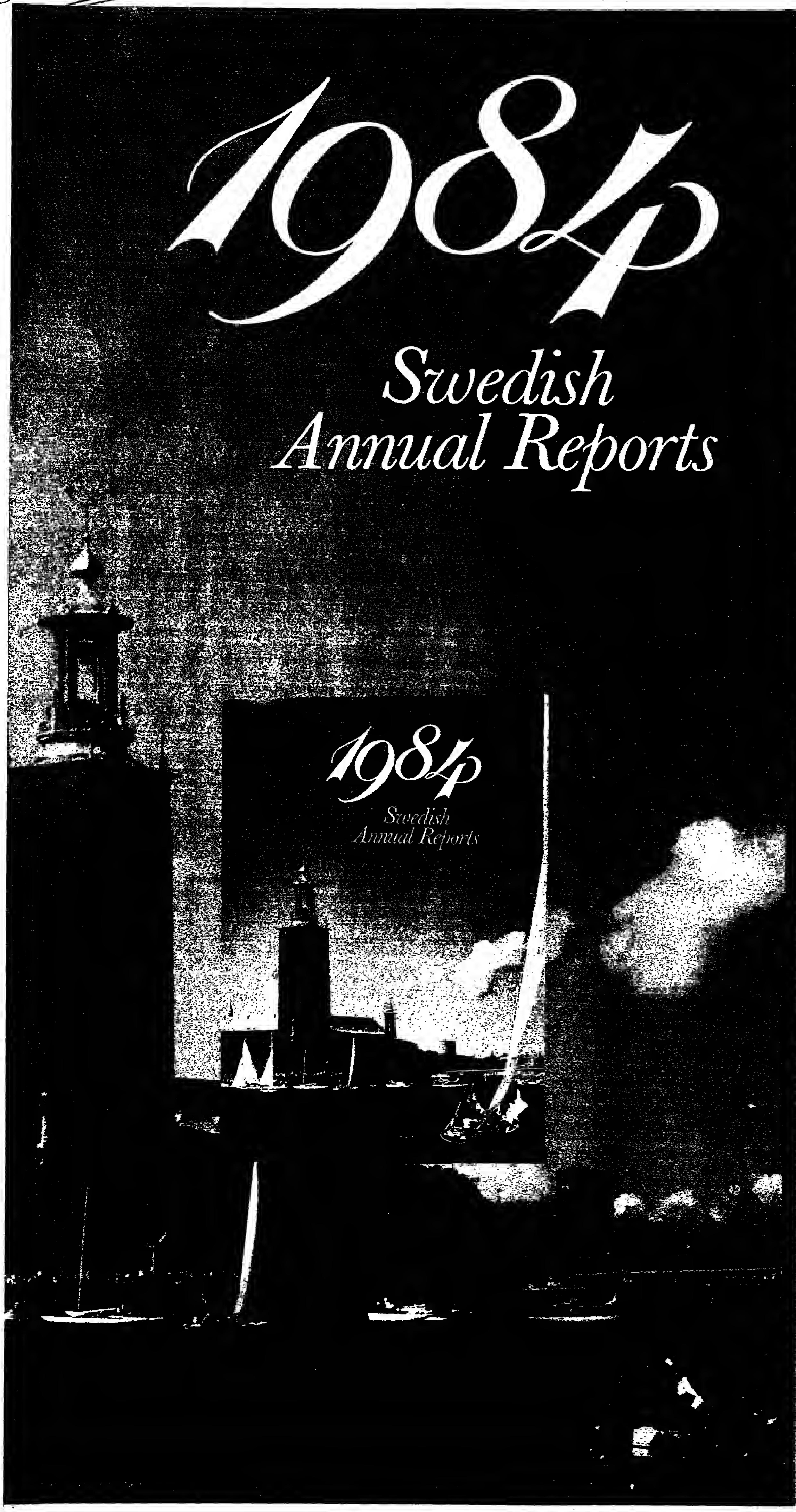

It was clear sailing for Swedish industry at home and abroad in 1984, with exports booming. The annual reports of the companies listed below will be available in the next few weeks – to let you judge past performance and help you chart a safe investment course for 1985.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

FOR A man who is confronted with turning round a company that lost FFr 1.1bn (£95.6m) last year on a turnover of FFr 15bn (£1.3bn), Serge Michel is remarkably confident.

Michel's challenge is to revive Société Generale d'Entreprises (SGE), the loss-making construction subsidiary of St Gobain, France's nationalised pipes, glass and engineering group where Michel is a top executive.

In a depressed industry from which other companies are rapidly escaping, Michel, by contrast, wants to strengthen its construction activities, and to deepen its expertise and involvement in the projects it builds.

His argument is that actually to build a harbour, hospital, port or railway is only a moment in the life of a project. So successful construction companies in future will have to become involved not just in financial engineering to "help projects be born," he says, but also in aftercare, maintenance and management.

SGE is already involved in a venture called Hospital Advisory Services to help maintain and run hospitals it has built. Its next vertical diversification could be into tourism, as an extension of hotel-building. It already owns one of France's top travel companies, CGTT.

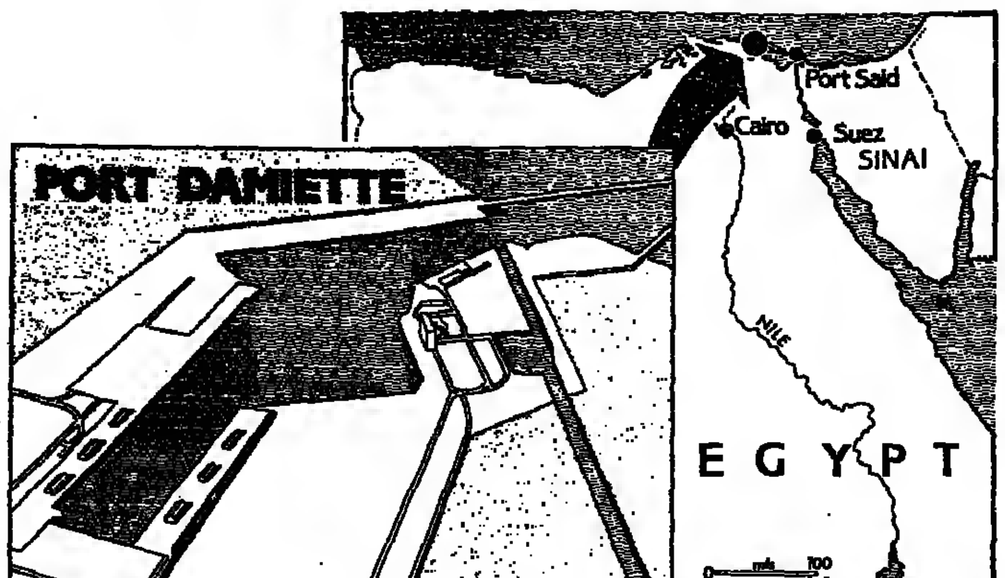
"There are more and more projects where if you want to make a building work you have not only to construct it but also make it live and bring in customers," says Michel. "We are trying to make connections with tourism companies, so we build and run hotels ourselves just as we do hospitals."

St Gobain acquired an initial 25 per cent stake in the troubled SGE from its former major shareholder, Compagnie Generale D'Electricite (CGE) for FFr 150m at the end of 1983. It subsequently increased its stake to 38 per cent at the end of 1984 at a cost of FFr 25m—and is convinced it got a bargain.

As St Gobain vice president José Bidegain puts it, his company had wanted to increase its involvement in construction and "the stake in SGE gave us the chance to do so without paying too much because in effect we bought it from CGE for nothing."

This was because, when St Gobain's audit of its acquisition revealed a loss of FFr 450m (£39.1m) in 1983 and FFr 1.1bn (£95.6m) in 1984, the original FFr 150m purchase price was refunded as a long-term loan to SGE.

"Now we have something special," says Michel, as SGE has been put into an industrial



SGE maintains that cheap government loans help, but cannot be relied on, to win contracts like that for the port of Damiette in Egypt (above)

SGE: re-appraising its raison d'être

Joan Gray on the French construction company's survival strategy

group where it will strengthen St Gobain's existing smaller-scale building and civil engineering activities and give it an organisation more able to compete in international markets.

It will also strengthen the market for St Gobain's own building material products—such as glass fibre insulation, pipes and glass—and make it possible for St Gobain to offer turnkey packages for large industrial projects.

For example, explains Michel, if St Gobain wins a contract to build a float-glass plant—such as the $100m project it is currently negotiating in Egypt—SGE will be able to build the factory, infrastructure and roads.

Michel is embarking on an extensive reorganisation of SGE to "restructure it, clean it, and develop it as a construction company."

For the real cost to St Gobain is the money it is now having to put into SGE. It has already invested FFr 400m and is to inject another FFr 600m-700m by the end of the year.

"St Gobain is also going to give SGE all its former activities in contracting," say Michel. The details bave still to be finalised, but the move will inclnde its two major construction companies, Sobea and TISO.

One reason for St Gobain's confidence in SGE's future is that the losses were noi diluted throughout the company. As Michel puts it: "88 per cent of the lossea were generated by 12 per cent of the turnover, mainly by two subsidiaries Thinet and Saimapt et Brice."

As a result of insufficient central control in the formerly loosely organised and unwieldy SGE group, these had each managed to lose FFr 300m (£26.1m) on contracts worth that amount.

To make sure the error is not repeated, St Gobain is introducing tighter management controls—and Tbinet has been 49 per cent sold to a Saudi Arabian company, Saodi al Minarat.

With help from this new local partner, Thinet has already won a FFr 500m contract to build a sladium in Saudi Arabia. And Michel has a string of new contracts lined up for SGE in 1985-86—provided he is successful in setting up the financial arrangements to back them.

Tbese projects include a $300m contract for civil works for the Caracas metro in Venezuela; FFr 1.5bn for building two sections of the Algiers metro; a FFr 1.2bn extension to Jakarta airport in Indonesia; and FFr 1.5bn for building underground shelters for fighter aircraft in Abu Dhabi.

St Gobain's confidence in SGE's future is also boosted by the fact that the two major building and construction companies in the group—SGETPI and SGEC, now to be amalgamated in the reorganisation—have remained profitable. They can, as Michels put it, "still carry out bard works and heavy duties."

SGE's biggest project, being carried out by SGETPI, is the new Cairo metro, currently financed at FFr 2.2bn with another FFr 1.1bn to come. This involves building a 4.5 km undergrouod railway through the heart of Cairo, to carry 70,000 people ao hour.

SGETPI is also carrying out the FFr 2bn project to build Egypt's new port at Damiette on the Mediterranean, to handle grain imports and take the atraio off the overloaded facilities at Port Said. The contract iocludes building an initial 100,000 tonne grain ailo, and 12 deepwater wharves in an area 25 km square levelled from the sand aod marshy shore.

SGE has also built the showpiece 850-bed Uoiversity Hospital of Ain Sbams in Cairo—a FFr 300m contract—and is now starting work on tbe 1,000-bed Kasra el Aini hospital in Cairo, a FFr 600m project.

A key factor in winning all these contracts has been the generous loan finance provided by the French Government. As Professor Shoukri, the foundiog force behind Ain Shams hospital puts it: "The Freocb had the coffers and the loans, so we went to a French company."

Sioce many of the bospital staff trained in England, speak English, and are accustomed to English bospital systems and equipment, be would also bave been interested in working with a British contractor.

"The English came and couldn't offer belp, whereas the French came with a loan and a design and a contractor all tied together," says Shoukri.

Michel too emphasises the vital importanca of continuing governmeot fioance in winning overseas projects but he stresses that relying on government support with cheap and ready loans is not enough.

He is also concentrating on developing SGE's skills in puttiog financial packages together and on developiog expertise in barter and counter trade.

SGE is also helped in bidding for overseas projects by the fact that it can turn to examples in its bome market. The company has, for example, worked on all four French metros, in Paris, Lyons, Marseilles and Lille.

So wben it was bidding for the Cairo metro contract it was able to invite Egyptian ministers and officials to visit the metro line it had built in Lyons which used a similar cut and cover construction technique.

St Gobain is hoping that SGE will at least break even in 1986. But, Bidegain emphasises: "St Gobain is 320 years old. It was born in 1665 and its first president was a minister of Louis XIV. We have learnt in that long period that things need time, and that if you don't make time you make bad business."

Public finance budgets

A case for reform?

BY SIR FRANK COOPER

TONY WILSON, late of the accountants Price Waterhouse, has now speot some six months in Whitehall as bead of the Government accountancy service and as accountancy adviser to the Treasury. He will no doubt in those months have found his Treasury colleagues able and congenial, of bigh intellectual calibre and frequently addicted to music. It has been publicly reported that he is conductiog a detailed study of how Whiteball budgets public money and that he is leading a team examining the progress of the financial management initiative.

It is profoundly to be hoped that Wilson gets the support and belp he deserves and requires. If that support is forthcoming be bas the opportunity, backed by his own professional knowledge, to bring about some mucb needed real changes and get away from much of the froth that surrounds the Financial Management Initiative.

Three or four milestones stand out.

First, there are the commendable 1984 proposals for the reform of the structure and form of Government expenditure reports, put forward by Andrew Likierman and Peter Vass of the London Business School. They included suggestions for publishing expenditure proposals covering three years, for the UK budget to cover both expenditure and its financing, for each Government department to publish an annual report, and for a major effort to be made to improve the presentation and the content of Government financial reports.

They also suggesied that there should be at least one Green Paper on public expenditure and taxation during the lifetime of each administration. These suggestions are modest enough in all conscience but they encourage a public debate on priorities, enable Parliamentary Select Committees to operate more effectively, and provide more intelligible background information for a wider public.

The idea of each department having to produce an annual report has a great deal to commend it. After all, companies are required to report annually to their shareholders. Why should not government departments? Why should they be absolved from thia necessary discipline? Does it not make sense for the Minister of each department to make a chairman's report in terms of a narrative review of the past year and a look forward to tbe next? Would it not be belpful for statistical appendices to produce both data and performance indicators?

Some of this happens in one or two government departments already. But it is by no means general. Annual reports would surely be worthwhile in terms of public accountability, public commitment, public information and public education. Tha extent of the work seems a minor, trivial, price to pay.

One particular area where Wilson, and his cohorts, could be especially helpful would be in ensuring thal financial information was presented in a relevanl, clear and concise way. Indeed, there is a need to go a good deal further and seek some changes of aubstance.

Benefit

It would be of greal benefit if public expenditure programmea were published under the heads of capital expenditure, operating expenditure, transfer payments and debt servicing. It would be of even greater benefit if tha first three parts of this division could be applied to tha various functions and programmes within departments.

If this were done, then if not at a single glance certainly with a series of glances, it would be possible to understand very much more clearly the way in which the taxpayers' money was disbursed. Why should the taxpayer, and the informed and constructive critic of government, not see wbat is happening to government expenditure?

Ideally, this concept should be taken a stage further in that the total cost of public programmes involving high capital expenditure sbould also be displayed by indicating their total cost over a period of actual expenditure on a year by year basis and perhaps—rather along the lines of tha U.S. system—seeking initial parliamentary authority for expenditure which is in effect being obligated by the original decision.

These changes, though major in terms of public visibility, would not be particularly difficult to introduce, if necessary phased over a shortish period of time. They would increase the understanding and perception of government expenditure, provide at least some grounds for judging wbat is, or is not, value for money, indicate the growth ar s, and provide some indicators about efficiency.

They would produce a higher visibility of wbat public money was being spent on and encourage that long-sought debate—at least by some—for a more meaningful discussion about priorities. They would also add a new dimension to the Financial Management Initiative and provide a modest step towards the aim of greater accountability.

These would be useful steps but, of course, Wilson will need practical help as well as political push. In particular, be will need belp over the role of accountants in government. It is, of course, the kiss of death to bave anything called the Government Accountancy Service.

By definition this reduces accountants to a secondary or even lower role.

Accountants will only play their proper role in government—and where else is so much money spent without accountants being responsible for the financial aspects of business—if three criteria are fulfilled.

First, that a time should be aet by which all major spending departments should bave as their principal finance officer a qualified accountant. Second, qualified accountants should be directly recruited into the elita of the administration group. Third, the government should deliberately recruit good graduates, as administrative trainees, on the basis that each year some will be sent to train as qualified accountants.

These are long-term policies but, without them, tha fuss and brouhaha about the role of accountants in government will go on indefinitely and government and the taxpayer will suffer from their lack.

Sir Frank Cooper is the former permanent secretary to the Ministry of Defence.

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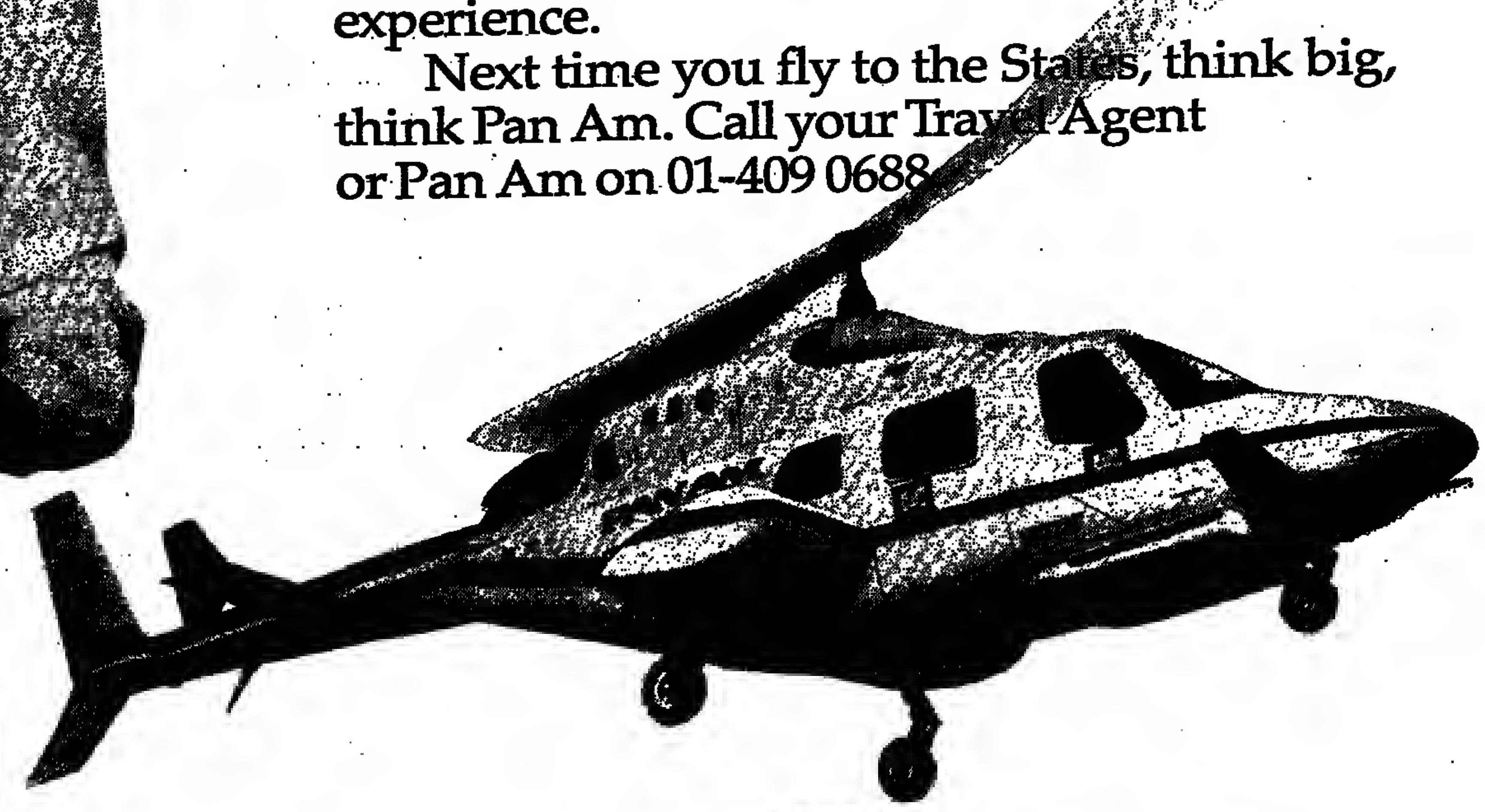

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THE ARTS

Television

The way it was in '45

My spirits sank when I first saw this week's "Radio Times" snd "TV Times." Pictures of ffghter pilots in leather flying hats, Winston Churchill giving the Victory sign, and David Niven and Noel Coward gazing steadfastly into the spotlights from beneath tin helmets, seemed to fill every page. Closer inspection lowered the spirits further: we were promised that "Vera Lynn is sure to bring a tear to the eye" and that we would be seeing "the part the Royal Family pleyed during those dark days." The reference of conrse, was to the days before VE Day which, occurring 40 years ago this week, was going to give rise to what would, it appeared, be an orgy of sentimental reminiscence and jingoistic nostalgia.

Having been born during the war my experiences of "those dark days" has been gethered entirely at second hand, first from books such as "The Wooden Horse" and "The Scourge of the Swastika," fascinated and terrified me when I was about 13; then movies such as "To Hell And Back" and "Sands Of Iwo Jima," in which the war was won respectively by Audie Murphy ("most decorated soldier of World World II") and John Wayne; end more recently from television programmes, most notahly that excellent ITV series *The World At War*.

From this week's hillings, however, it looked to me as though the programmes commemorating VE Day would be inspired more by the attitude of sober inquiry lying behind *The World At War*. On *The Laate Clive Jomes*, Ludovic Kennedy suggested that those who have grown up since 1945 feel they have heard more than enough ebout it, and that is certainly true for me as regards those programmes which luxuriate in the war.

Presumably one of the reasons why there is such nostalgia for the war years is that for many who lived and fonght through them they were, *in many respects*, the *best of* their lives: there was danger, of course, fear, and often dreadful loss. But it seems there was also high excitement, a deep sense of national purpose, powerful comradeship, and a unique community spirit. Furthermore, although the war meant shortages, queueing and regimentation, the other side of that coin was the relinquishment of much day-to-day decision-making about food and clothing, travel and entertainment which appears to have come as quite a relief to some.

Such thoughts, so deeply contrary to the tacit national agreement among the older generation to depict war as being monopolised by sacrifice and hardship, ere found more easily in print than in television, and I did not expect television to pay much heed to them this week. I was right. Moreover, the opening item in television's four-day hlitzkrieg, the 1942 movie *In Which We Serve* on BBC1 was precisely the sort of cloying propaganda which one had feared from all that publicity: Noel Coward, whose accent even hy the standards of the day seems to have been remarkahly plummy played the saintly Captain, worshipped by wife, son, daughter, and every single member of his ship's company.

"My experience of the war has been gathered entirely at second hand . . . for many of us, television is the chief way we're going to know about VE Day," says critic Christopher Dunkley — a toddler in 1945 — looking at the way it was 40 years ago.

It was stagey, stilted, diffuse and—in its Panglossian view of the Royal Navy—thoronghly, if understandahly, dishonest.

It seemed, sure enough, that we were in for four days of flag waving over our glorious past . . . hut I was wrong. From that moment things got better and hetter; so much so that I felt obliged to go and preview tonight's two final BBC programmes — *Timewatch: The Battle For Berlin* on BBC2 and *The Day We Won The War* on BBC1—to see whether the improvement could possibly be maintained. It is, and I urge you to watch both programmes.

First stage in the improvement came with *The Way Ahead* on Monday, a 1944 movie written by Eric Ambler and Peter Ustinov and directed by Carol Reed, which was clearly supposed to do for the Army what Coward's film had done for the Navy. There was, indeed, one emharrassingly artificial speech about the duties of the infantryman which sounded as though it had been written hy a committee in the War Office PR department. That aside, it was a far more honest and consequently interesting work, since it started from the premise that conscripts were variously riven by class consciousness, intent upon deferment, and constantly grumbling. It was a vividly recognisahle picture; and even if the rousing finale with every*one fixing bayonets to advance* together into the smoke of a North African battle was a conventional morale-booster, it still did not appear dishonest.

Next—for me, anyway—came the Granada/ITN compilation *Victory In Europe*. This programme, which packs an astonishing amount of material into two hours, is being distributed worldwide simultaneously as a broadcast programme and a video cassette, the latter form heing the one in whicb British viewers will have to see it at present. It is written and narrated by Max Hastings and presented in 11 sections: D-Day, The Bettle of Normandy, The Road To The Rhine, etcetera. Whereas *The World At War* suffered from having the voice of e hired actor to read its scripts, *Victory In Europe* gains immensely from Hastings' standing as an expert on modern warfare. When he explains the superiority of German tanks, or the skill and tenecity of Rommel's troops, it is an eye-opening *surprise after* all *the* familiar chauvinism.

Much fuss was made about yesterday's *D-Day To Berlin* on BBC1 because it was hased on colour footage shot by George *Stevens* as a priavte adjunct to his work as an official war cameraman, and only recently rediscovered. But althoug the colour was certainly good, one was left with the feeling that all the important moments had heen recorded on the official hlack-and-white cameras. Consequently, the strength of this programme was its "home movie" atmosphere, showing the unofficial face of front line warfare.

By this stage I felt as though I was on a television crash course on the end of World War II; and a preview of ITN's coverage today in *Victory Remembered* greatly enhanced that feeling: the sheer scope of the archive inserts prepared by ITN hroadened the picture gratifyingly, bringing in not only "the Forgotten Army" fighting in Burma but also material on prisoners of war, life under the Nazis in the Channel Islands, and scenes from the home front with women in knee-length frocks and ankle socks, and the WVS doing their stuff.

It is greatly to the credit not only of ITN but of television generally that throughout these programmes the significance of the Nazi concentration camps, hoth in their own hideous right and as a symhol of what the war was fought against, has been neither shirked nor sensationalised.

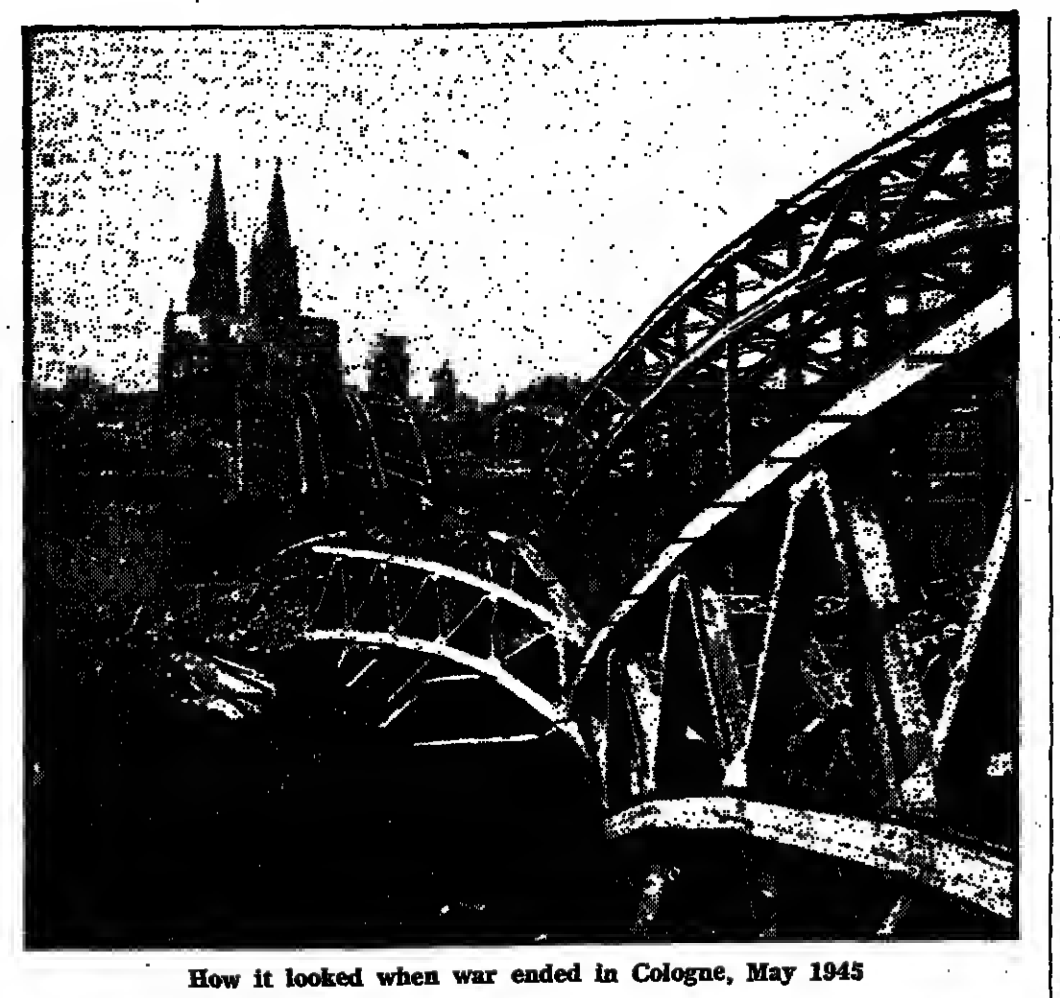
Best of all the programmes that I have seen is tonight's *Timewatch: The Battle For Berlin*. Not only has producer Peter Maniura employed the excellent reporter and commentator Charles Wheeler (who was on the spot at the time) as presenter, be has also tracked down the astounding Major Anna Vladimir Nicolina and interviewed her about her part in the assault on Berlin. Both a soldier and a political commissar in the Red Army, *this tough old lady — she was* 40 when she fought the war — explains how she planted the Russian hanner on top of the Berlin Chancellery.

It is not only coups of this sort which make the programme so valuable, though. Above all, it is the insights: why the Russians lost so many millions of soldiers; the military reasons why the Soviets were allowed to take Berlin; the speed with which they then installed Communists in the local government system; and all the post war political consequences which bave resulted. It is e model of the way in which television can use history not to wallow in nostalgia but to illuminate the world of today.

Peter Ceresole's *The Day We Won The War on BBC1* is fractionally closer to the stereotype that might have heen expected, with "Land Of Hope And Glory" over pictures of the cheering crowds outside Buckingham Palace 40 years ago today; a former PoW recalling spotting the white cliffs of Dover from the midships gun position of the Lancaster which gave him a lift home; and finally even Vera Lynn, who could surely hring tears to anyone's eyes at any time, war or no war.

Yet here, too, we heard from an *intelligence officer* who helped relieve Neustadt and found a young girl alive under 36 bodies; and from Wynford Vaughan-Thomas on the final meeting of the Red Army and the Western *Allies*, the *instinctive* fraternisation, and then the Russian officers putting a pole across the road — "The first clang of the iron curtain coming down across Europe," says Vaughan-Thomas.

When you think of the way in which the subject could have been handled, remember those dispiriting programme billings, and consider the approach towards Nazism (and the sins of the fathers) exemplified recently by certain mass circulation newspapers in their treatment of the Princess Michael story, it is surely time to recognise and salute the way in which television has handled this subject: responsibly, instructively, and with admirable variety.



How it looked when war ended in Cologne, May 1945

Understanding conflict

Evelyn Waugh's *Sword of Honour* trilogy, J. G. Ballard's *Empire of the Sun*, and John Keegan's *The Face of Battle* are among 20 titles chosen from a list of 200 for "Writers on War," a Book Marketing Council promotion highlighting the authors' contribution to an understanding of armed conflict.

Selected by Norman Stone, Professor of Modern History at Oxford, Max Hastings, the war correspondent and journalist, and Jill Neville, novelist and critic, the 20 books will be stocked and displayed in bookshops and libraries throughout the UK from May 13-25.

Flowers/Sadler's Wells

Michael Coveney

In her *Notes on Camp* Susan Sontag claimed that Genet's ideas in *Our Lady of the Flowers* were maintained too grimly, their expression too *successfully* elevated, for them to qualify as "Camp." Lindsay Kemp's famous homoerotic distillation puts pald to thet problem, divesting Genet of his melismatic wash of obscene reverie and descriptive drive to provide a perfervid charade of onenist gesture, tatty caharet ("Somewbere Over the Rainbow," naturally, in the Pigalle striptease scene) and self-pitying gloom.

This is not to deride *Flowers*, which is in many ways a most remarkahle piece of theatre and one whicb, after 12 years and countless European tonrs, still packs e powerful subcultural *rallying punch*, as *the* enthusiastic Friday night Wells andience testified. "Camp" has now come out of quotation marks and gone lower case. In the tiny Bush Theatre of 1974, where I first saw *Flowers* sitting more or less next to David Bowie (*"Eheu fugaces"*), the show seemed to herald a new era; I timorously ventured on this page thet this sort of thing might catch on.

You only have to consider the theatre of rock and modern dance, the good and the bad, to see how immense Kemp's influence has been. His slow and supplicating progress from the depths *of* the stage as the betrayed and tragic Divine, dispensing lovers in a welter of red voile, knee length bridal shroud pouring from a bald and powdered head and torso, eyes sunken blackly in their sockets, mouth twitching in a slow motion of sorrow and resilience —this progress, to the accompaniment of a Pink Floyd crescendo is one of the great sights of the contemporary stage.

Flowers may be a period piece, it may even now be something of a theatrical enachronism. But it embodies the essence of Lindsay Kemp's art and hrings *his season* in Rosebery Avenue to a resounding climax. A lot of it is not my kind of camp—look how that little word trips along now—but the opening, the finale, and the graveyard dance for homosexual mourners, pimps, relatives and umbrellas, are truly memorable sequences.

★

As *The Cotton* Club opens in London, the old piece itself might be more gracefully celehrated in the presence at the Ritz Hotel (in the Wednesday and Friday night supper cabaret spot this month) of Adelaide Hall, one of its most accomplished survivors. Except when she steeps to Ralpb McTell's "Streets of London," the 40-minute *set* is a joy, all due tribute sung and "scatted" to Gershwin, Ellington and Eubie *Blake*.

Tennstedt/Festival Hall

Andrew Clements

The London Philharmonic's programme at the Festival Hall on Sunday evening consisted of *two Beethoven symphonies*, the sixth and seventh. The conductor was Klans Tennstedt, the comhination of a popular programme and a conductor whose repntation continues to rise, ensured a *full house*. What that audience, however, was hard to quantify. In purely technical terms there was no douht as to the quality of both performances. The LPO played extraordinarily well for its music director; producing satisfyingly rich textures even without the wind douhling that a number of conductors hahitually introdnce in both these works, while throughout the concert there was scarcely a lapse of ensemble or intonation.

No doubt either of the sheer vitality which Tennstedt's urgent prompting brought to *much of the music*. The first movement of the Pastoral was taken under firm control and at a fastish tempo so that its momentum was never allowed to falter for a moment; the third had a springing, impetuous tread; the finale of the Seventh was an exuberant explosion of energy with the wind detail pungently emphasised. For such familiar works there was never a momentary suggestion of routine; bere was music making that projected itself into the auditorium without apology or equivocation.

And yet one wonders whether this was genuine Beethoven interpretation, or whether Tennstedt, in his own way, was re-fashioning the symphonies just as hlatantly as Karajan did in the same hall with the Fourth just over a week ago. Does Tennstedt's treatment of Beethoven differ in any essentials from his approach to Bruckner, or Brahms, or Mahler? *Does he* not generate the same inner tensions, charge the climaxes with the same febrile intensity, shape the solos with the same self-conscious care? In short, *does he offer any insight* specific tn the composer being performed, instead of demonstrating the conductor's ahility to galvanise an orchestra into giving full-blooded, romantic performances.

The Sleeping Beauty/Covent Garden

Clement Crisp

On Monday afternoon, the Sadler's Wells Royal Ballet gave an account of *The Sleeping Beauty* altogether tauter and more assured than at last week's gala. Where previously there *had seemed something* clouded in performance, now clsrity, energy and thst most valuahle quality of SWRB interpretation, a true sense of ensemhle playing, illuminated the work.

With only 50 or so dancers, Peter Wright and his designer, Philip Prowse, have echieved marvels in dressing the stage in splendour and peopling each scene so that nothing looks pauperish: the only serious failing in the production is that the Prince's panorama journey is mere trailing through clouds of mist. At every other moment we can appreciate the dramatic *momentum* of *the work*; and the SWRB artists are bold and generous in style, from Anita Landa's haleful Carahosse, like a bomicidal *diva*, to the White Rahbit *scurryings* of *Michael* O'Hare as the Prince's tutor. There is, too, a uniformity of artistry, a common drive towards whole-hearted, whole-spirited interpretation; SWRB *dancers* plainly care about what they do and how best they may do it.

The matinee marked the London debut of Evelyn Hart as Aurora. Apart from a moment of geisha coyness when she first meets her suitors, and an over-complicated collapse when the spindle takes its fatal effect, Miss Hart demonstrated her entire right to the role. With nothing hurried, with gesture and dance both allowed to flower, with ber exceptional lightness of physique and style giving the choreography a translucent grace, she presented an Anrora of great refinement. The *shaping of the dance in the entrée* to the last act duet (with Henry Jurriens a dutiful partner, though low in temperamental key) was exemplary—the *structural logic* of the scene, its grandeur of symbolism as well as of effect, bore the stamp of an individual and poetic gift.

The company performance *showed* hrave and buoyant dancing. I admired the six couples in the garland waltz, the joyous sccount of the last act quartet from Lili Griffiths and Jennifer Jackson, Russell Maliphant and the soaring Iain Webb, and the Bluebirds of Susan Lucas and Petter Jacobsson. Bnt dominating the afternoon was Sandra Madgwick's dazzling solo as the fifth of the Prologue's fairies. No Royal Ballet dancer in my experience has set out its sharply pointing finger gestures or its spirit with sucb wit or such assurance. The only reading as complete in its command of effect, Petipa's gem *as if re-cut* for *the occasion*, was that of Lyudmila Alexeyeva with the Kirov Ballet in 1961. Miss Madgwick gave us dancing at its most exhilarating.

Mahler's Eighth/Brighton Festival

Ronald Crichton

Two days after hig Berlioz, hig Mahler. Brighton is not mean. On Sunday evening the Dome was pecked to hursting for the Eighth Symphony, Norman Del Mar *conducted* the *Festival* Chorus and Boys' Choir, the London Symphony Chorus, the Bournemonth Symphony Orchestra and Sinfonieta, extra brass, and a pbalanx of vocal soloists *to numerous to list, three of* them veliant last-minute replacements. Nobody presumahly linked the symphony with the festival theme of clowns and clowning, but there is always a *case* for *re-examining* major musical monsters when funds and forces are available.

From a stalls seat nnder the projecting halcony, the impact of douhle chorus and large orchestra was sherp but short on resonance. One got the full force of the choir on the right (and was aware thet the sopranos' top notes were often helow pitch) but could harely hear the chorus opposite—antiphony was stretched to the furthest limits. Bells and mandolins were loud, celesta and (more important) soft *string tremolandos* inaudible. With the players stretched ont so wide, such accidents of balance are inescapable.

The frantically joyful setting of the hymn, "Veni, Creator *Spiritus*," combining choral polyphony with orchestral virtuosity, went with a vigour that, at least for the time being, dispelled suspicions that Mahler's hysterical clamour for *love, divine grace* and *illumination* covers an aching void of despair. The opening of the symphony's second part, in which Mahler chose as his text the final scene of Goethe's *Faust*, paints a romantic Grünewald landscape with rocks, trees, tame lions, anchorites, floating angels and hlessed boys circling in the atmosphere; serenely effective after the preceding turmoil.

These passages went well on Sunday, hnt the Goethe movement *as* a whole did not have quite the necessary polish, precision and clean intonation. Without these, there are times when one wonders why some people are superior about Gounod, let alone Liszt. The epilogue to the letter's Faust symphony, nsing the same famous words, makes a stronger effect than Mahler's "chorus mysticus" because Liszt placed it not after a long vocal movement hut in contrast to an orchestral scherzo of sulphuric smokiness. Mahler wanted everything, yet it was observahle on Sunday that "everything" did not please everybody. Some of the audience that had earlier besieged the Dome fell fast asleep.

What the Eye Can't See

Martin Hoyle

On a bright spring evening the charming Watermill at Bagnor near Reading almost disarms criticism before yon step inside it. Gardens, a velvety croquet lawn and a timber-vaulted resteurant complete with log fire complement the converted mill-house with its tiny stage.

The new season has started with a Feydeau farce performed with gusto — which, truth to tell, it needs, since *Le Système Ribadier*, written with Maurice Hennequin, lacks hoth the clockwork intricacies of plot and the irresistibly exuberant impetus of Feydeau at his best.

The plot turns on a philanderer's *ability to put his wife* into a hypnotic sleep before sloping off to find diversiona elsewhere. The wife is suspicious of men in general, having recently discovered the infidelities of her deceased first husband, whose raffish portrait dominates the drawing-room more in the style of Disney than the alleged Toulouse-Lautrec. Add the wife's old admirer from ebroad, the wine-merchant husband of the philanderer's mistress—a vulgarian not above quickly selling his cuckolder a crate of brandy when not challenging him to a dnel—and a couple of briefly-glimpsed servants, and you have a long curtain-raiser or an insubstantial main a ttraction in the English version hy Felicity Douglas and Basil Dawson.

The central couple are played by Robert McBain and Lynette Davies. He shows the correct farcical ability to vacillate between smirking complacency and panicky frenzy; she performs with spirit and wit. Both resist exaggeration and grasp the style perfectly. Colin Prockter's old flame is played more hroadly, and Timothy Knightly is surprisingly ill-at-ease at some of the common cuckold's comic clowning (some over-obvious business with top-hats could he rethought).

Intriguingly e former director at the Watermill has gone on to literally bigger things: David Gilmore's marshalling of the resources needed for Chichester's current *Covalcade* is about as far as you can go from the chesshoard area of Bagnor's delightfully *intimate* stage.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guida to all the Arts appears each Friday.

May 3–9

Theatre

NEW YORK

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Strange Interlude (Nederlander): Glenda Jackson carries on an appreciated tradition of bringing American classics to New York from London in this marathon production in which director Keith Hack wisely makes the asides an integral part of the conversation. Limited engagement ends May 5. (921 8000).

Cats (Winter Garden): Still e sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy *music is visually startling* and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of e drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become e stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British *farce tradition is* this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

TOKYO

Barefoot in the Park: The Japanese version *of Neil Simon's* play directed by Yutaka Kobayashi. Long Run Theater, Shimokitazawa. (414 0961).

Cocteau Marais, a one-man show on the life of Jean Cocteau by Jean Marais (in French) Sogetsu Hall, one of Tokyo's most beautiful buildings, a flower-arranging school designed by architect Tange. (Mon, national holiday, 2pm). (407 8238).

LONDON

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington e more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, 638 8891).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's *brilliant direction* of backstage shenanigans on tour with e third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and s dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for *his money back.* (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's e Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach la a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as e shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable *meringue of a musical.* (834 1317, 828 4735).

NETHERLANDS

Amsterdam, De Stalhouderij (Eerste Bloemdwarsstraat 4). The English-Speaking Theatre of Amsterdam with Krapp's Last Tape by Samuel Beckett. (Fri, Sat, Wed, Thur). (26 22 82).

Saleroom/Antony Thorncroft

All eyes on New York

All the excitement in the salerooms is at present in New York. On Thursday, Christie's will test the oddly muted demand for Old Master paintings by offering 20 very good ones, bought over the past few yeers by an Oklahoma oil man, S. T. Fee.

The oil business is not what it was; Mr. Fee is disposing of his pictures rather rapidly. They inclnde a view of Warwick Castle by Canaletto and Christie's believes it might make over $3m. If so, it will easily be a record for this artist. An oil sketch by Tiepolo for a fresco depicting the arrivel of King Henry III of France at the Villa Contarini at Mira could sell for $2m, while one of Cuyp's best works could also make $2m.

The danger of putting works of art beck in the saleroom within a few years of purchase was shown up at Sotheby's in New York over the week-end. Two important and expensive items of French furniture, a Louis XVI mahogany bureau, by Riesener, and an Empire dressing table, auctioned respectively in 1981 and 1979, *failed to find* huyers this time around; and an early Louis XV commode, attrihnted to Charles Cresset, only raised its 1980 price of $165,000 to $231,000

Top price was the $352,000 (£283,871) paid for a Louis XV commode, by Bernard van Risenburgh. The sale saw 30 per cent unsold, a high figure for whst has been a strong sector of the market.

In contrast, the anction of contemporary paintings at Sotheby's in New York was a wonder. This is always a fickle market, but a total of $13,388,925 with 16 per cent unsold, was *an impressive* achievement, especially as 16 ertists established auction record prices.

Francis Bacon was among them. The price paid for his "Landscape near Malabata, Tangiers," $517,000 (£476,935), was also a record for any living British painter — sculptures by Henry Moore have sold for more.

هكذا من الأصل

IMPORTANT LETTER TO STOCKHOLDERS OF

GULF RESOURCES & CHEMICAL CORPORATION

from the Board of Directors

Dear Stockholder:

May 6, 1985

As you may know, an insurgent group calling itself "The Stockholders Committee For Leadership and Maximum Value" has indicated its intention to wage a disruptive proxy contest to oust your Board of Directors. You may be assured that your Board of Directors and management will act vigorously in what we believe to be the best interests of all stockholders. To that end, we have initiated litigation to enjoin what we consider to be serious violations of law which may have been committed by members of the insurgent group.

We believe that our record deserves your continued support. We urge you, if you have not yet done so, to sign, date and mail the WHITE proxy card on behalf of your Board.

WE HAVE KEPT OUR PROMISES

At the 1982 Annual Meeting, nine of the current thirteen directors were elected to the Board on a pledge to pursue the following program:

- To cause the Company to retain a nationally recognized investment banking firm to recommend alternative strategies for the redeployment of some or all of the Company's assets.
- To vigorously implement a plan for the redeployment of assets of the Company in order to maximize the value of the stockholders' investment.
- To make changes to improve overall management performance and eliminate unnecessary costs.

Our record clearly demonstrates that your Board of Directors has kept its pledges to the stockholders of the Company.

WE HAVE REDEPLOYED ASSETS

- Shortly after taking office in June 1982, the Board of Directors retained Goldman, Sachs & Co., a nationally recognized investment banking firm, to recommend alternatives relating to the redeployment of the Company's assets or the sale of the Company in its entirety. Following the receipt of the October 1983 Goldman, Sachs report, the Board concluded at that time that a sale of the Company in its entirety would not produce attractive values given the depressed state of the economy, particularly in the industries comprising the Company's primary businesses. However, based in part on the Goldman, Sachs study, a number of operations were sold or slated for disposition.
- Within five months of taking control, we took the final steps to rectify the severe cash drain of supporting the shut-down Bunker Hill operations by completing the sale of all of its assets for $15 million.
- In May 1984, the Company sold its IRECO Chemicals subsidiary for $45,000,000, at a gain of $7,420,000, net of income taxes.
- Last fall, the Board retained Citibank, N.A. Capital Markets Group to find prospective purchasers for a significant subsidiary of the Company. Citibank also explored the possibility of the sale of the Company in its entirety. In light of the unenthusiastic response to Citibank's inquiries, the Board decided not to pursue the sale of the Company in its entirety.
- Since June 1983, the Board has been pursuing the sale of the Company's unprofitable engineering services operations, BS&B Engineering Company, Inc. Those operations lost money from the date first acquired by prior management in 1979.
- The Board is currently negotiating with several prospects concerning the sale of certain of the Company's properties and will continue to vigorously pursue like opportunities.

WE HAVE CUT COSTS AND ELIMINATED PERQUISITES

Since taking office in June 1982, your Board of Directors has reduced operating expenses by:

- Disposing of the Company's jet airplane.
- Disposing of an executive suite at the Regency Hotel in New York City.
- Eliminating eight unnecessary home office management positions and associated support positions.
- Reducing the number of employees involved in continuing operations from 1,940 as of the end of 1981 to 1,550 as of the end of 1984.
- Closing unproductive offices in Bermuda, Hong Kong and Madrid.
- Reducing the cost of management meetings by holding them locally rather than at remote resort locations.

WE HAVE IMPROVED FINANCIAL PERFORMANCE

As you know, your Board of Directors first obtained control of the Company in mid-1982. From the end of 1982 to the end of 1984, several significant improvements can be noted:

- Income from continuing operations (before extraordinary items) has increased 24%, from $11.6 million to $14.4 million.
- Long term debt has declined 20%, from $223.9 million to $177.4 million.
- Stockholders' equity has increased 30%, from $90.8 million to $117.6 million.

WE PROVIDE INDEPENDENT LEADERSHIP

- Only one of the thirteen management nominees is an officer of the Company. The objectives of your Board are aligned with your objectives. The Company's largest stockholder is a member of the Board. Maximization of stockholder value is the foremost concern of the Board.
- Your Board has vigorously pursued the implementation of the program it launched in 1982. During 1984 alone, the Executive Committee of your Board held twenty-nine meetings.
- The Board of Directors has recently elected Donald D. McCuaig as President and Chief Executive Officer and a member of the Board of Directors of the Company. Mr. McCuaig has substantial experience in oil and gas and investment banking, having been previously associated with Exxon Corporation and The First Boston Corporation.
- In October 1984, the Board of Directors approved the appointment of Peat, Marwick, Mitchell & Co. as the Company's independent public accountants for 1984. This decision in no way reflected any dissatisfaction with the services of the Company's prior accountants, but was based upon the belief that, as those accountants had served continuously as the Company's outside auditors for the past thirty years, a change was then in order.

THE INSURGENTS ARE INEXPERIENCED

- The self-proclaimed "Stockholders Committee For Leadership and Maximum Value" was organized ostensibly to present an "alternative slate of nominees." Yet the insurgents have only proposed nine nominees for a board of directors composed of thirteen members.
- The insurgents' partial slate is comprised of persons with no apparent experience in the management of a U.S. publicly held corporation such as Gulf Resources.
- Members of the insurgent group own less than 6% of the outstanding Common Stock of the Company, substantially all of which was acquired within the last three months. In comparison, members of your Board have owned more than 20% of the outstanding Common Stock continuously for over three years.
- In 1982, the Co-Chairman of the insurgent Committee, McKane, was a participant in an unsuccessful proxy contest to oust the then current Board of Directors.

THE INSURGENTS HAVE NO PROGRAM

The insurgent group's so-called "program" offers no specific course of action. At no time has any member of the insurgent group requested of the Company management that it consider any recommendation to create value for the stockholders. Unlike the insurgents, your Board has intimate knowledge through three years of study and experience of the opportunities available for maximization of stockholder value.

VOTE YOUR SHARES FOR THE MANAGEMENT SLATE

If you agree that your best interest as a stockholder will be served by maintaining the present Board of Directors in office, you must make sure your WHITE proxy card is received by the Company no later than Monday, May 13. If you have not already voted, please sign, date and mail the WHITE proxy card as soon as possible. If you have already signed, dated and mailed a WHITE proxy card, you need not take any further action. However, if you have previously executed a BLUE proxy card for the insurgents, it is imperative that you revoke that card immediately by signing, dating and mailing the WHITE proxy card as soon as possible. **Remember, it is the latest dated proxy that counts.**

If your shares are held in the name of a brokerage firm or bank nominee, only they can execute a proxy on your behalf. Please call Georgeson & Co., Inc., our proxy solicitors, in New York, U.S.A., collect at (212) 440-9800, for immediate assistance.

IF YOU HAVE ANY QUESTIONS OR DIFFICULTY VOTING PLEASE CALL GEORGESON & CO., INC., IN NEW YORK, U.S.A. COLLECT AT (212) 440-9800.

TIME IS OF THE ESSENCE, PLEASE RESPOND QUICKLY!

Sincerely,
The Board of Directors
Gulf Resources & Chemical Corporation

FINANCIAL TIMES
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Wednesday May 8 1985

Spain's role in Nato

SPAIN and the U.S. have both given ground to avoid wbat could have blown up into a dangerous row about the future of American bases in Spain and, by implication, obout the Spanisb role in Nato.

During President Reagan's visit to Madrid the Spanish side dropped its insistence that negotiations must start quickly to achieve a progressive reduction of the U.S. military presence in Spain which consists of four bases and some 12,000 soldiers, sailors and airmen.

In its turn the American side showed some readiness to engage in preliminary talks. Both sides have chosen the path of patience and diplomacy.

Mainstream

It is a welcome change from the anti-American and anti-Noto slogans at a giant rally in Madrid last Sunday. It is also a necessary one if Sr Felipe Gonzalez, the Spanish Prime Minister, is tn achieva his avowed objective of bringing Spain into the mainstream of western Europe.

The negotiations with the EEC have been brought to a *successful conclusion.* But the difficulties confronting Sr Gonzalez in dealing with Nato and the bases must not be underestimated. He himself is a convert to membershin in the military alliance. Only bis authority as party leader persuaded the Socialist Party to dron its opposition to Nato last Decemher.

He has undertaken to submit the question to a referendum early next year and much of his conduct must be seen as the tactical preparation of this appeal to the electorate. Sr Gonzalez cannot afford to lose thet referendum. Doing so could seriously impair his chances in the general election due next year, quite apart from the damage sucb a loss would do to Spain's links with the other European democracies.

Available public opinion polls on the matter are contradictory. But large blocks of voters are dissatisfied with the previous, non-Socialist government's decision to join the alliance.

On the democratic Left, not to mention the Communists, the U.S. bases are associated with the Franco dictatorship which first permitted their establishment. Inevitably, such anti-American feeling spills over into a dislike of Nato. On the Rigbt, and not only there, a feeling is widespread that Spain bas no convincing reason to provoke the distant Soviet Union to point rockets at Spanish targets.

This isolationism is shared among many members of the military, thougb not in the high command which believes that belonging to Nato can provide the armed forces with access to joint procurement and production programmes, with valuable strategic information, and above all with a role in the modern world.

In the face of widespread anti-Americanism, Sr Gonzalez has felt himself forced to finesse. He wants Spain to stay in Nato but to remain aloof from military integration. He wants to reduce the U.S. military presence, but "in keeping with Spanish interests." Neither of these qualifications has been defined.

All the indications in Madrid are that the Spanish interest is taken to include the continued existence of the bases. The implication is that Sr Gonzalez is looking for o compromise.

Spanish membership in Nato makes little sense from o military point of view if the bases cannot operata efficiently. Spain's importance to the Americans and to Nato is its role as a staging post between America and the potential theatre of war in Europe.

Symbolical

It follows that the Spanish formula of non-participation in military integration needs to be defined carefully. If Spanish membership in Nato does not mean that there are agreed plans for every military contingency, then thst memhership will have little value beyond the symbolical.

The first priority must be to ensure that the Spanisb electorate does not vote itself out of Nato when the question is put. But membership should not only be symbolical. The alliance has an interest in having the full co-operation of the Spanish forces; and Spain has an interest in giving its soldiers an up-to-date role rather than letting them meditate on the past. As regards the U.S. bases, Sr Gonzalez must use his undoubted personal authority to ensure that these essential links in North Atlantic defence continue to function properly.

How to tackle market failure

THE Trades Union Congress has called for an inquiry into the Government's privatisation programme. Given that further hig denationalisations — of National Bus, British Airways and Britisb Gas — are planned, the idea has its attractions. But the terms of reference should not be those envisaged by the TUC which is mainly exercised by the low prices raised for public assets and the large fees earned by City institutions. As the British Telecom sale ahowed, these worries are not without foundation. Nonetheless tha real need is to evamine closely o wbole range of economic problems which have always heen with us but which ore now more pressing because of the scale of privatisation.

These problems might be grouped under the general heading of "competition and regulation policy." So far one of the few organisations to grapple seriously with these issues has been the Institute for Fiscal Studies (IFS) which last week devoted o one-day conference to the topic.

Privatisation

Mr John Kay, the IFS director, suggested to the confarence that the terms of reference of bodies like the Monopolies and Mergers Commission (MMG), tha Office of Fair Trading and perhaps even Oftel, the telecommunications regulator, hsva been drewn too tigbtly. Since the last war, British competition policy bas been increasingly shaped by o concealed and false premise: that the only (or at least the principal) reason why markets fail to produce efficient outcomes is monopoly—excessive market power on the par of one or mora companies. Indeed, the MMG is virtually unable to intervene in competition cases unless a *prima facie* case of market dominance cen be established.

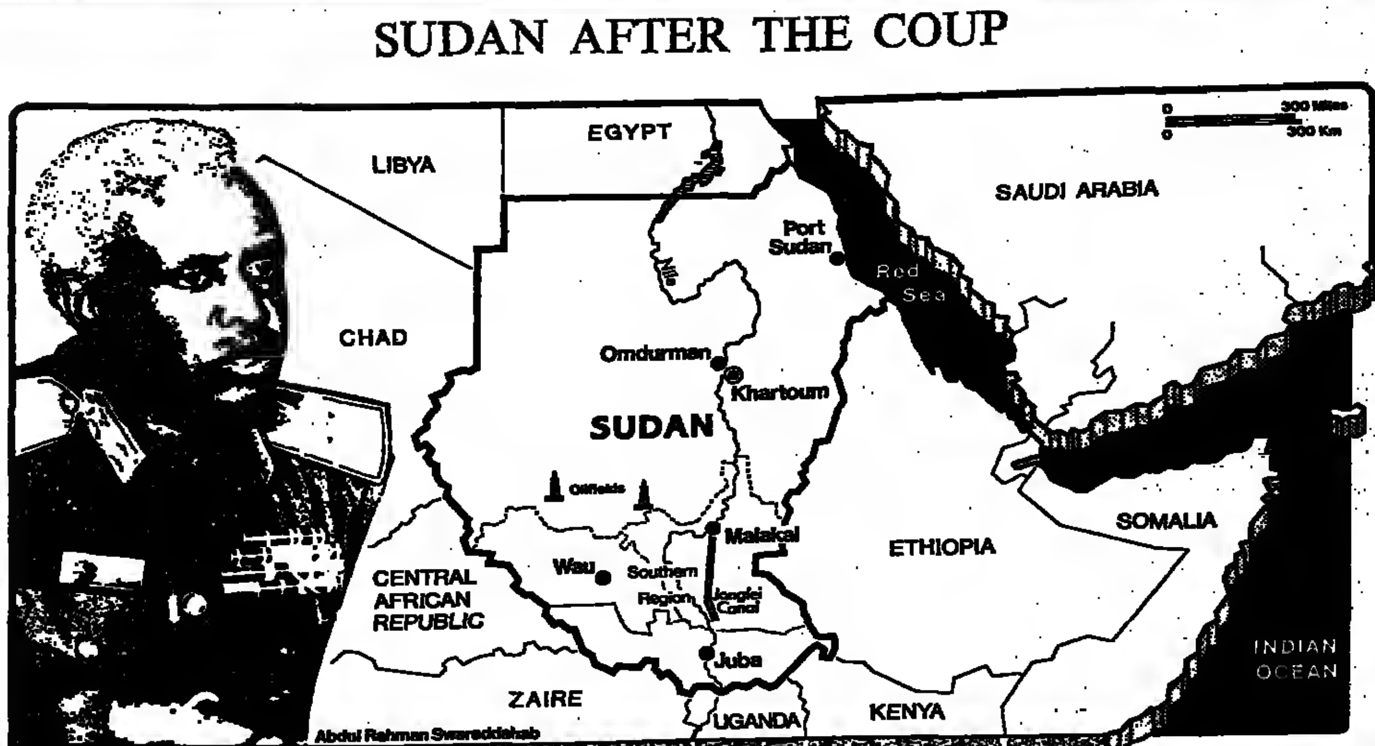
Monopoly, not least because of the privatisation programme, will remain a vital concern of regulators; a strong merger policy aimed at preventing anti-competitive take-overs is essential but as a glance at any modern economics textbook will reveal, monopoly is only one of many sources of "market failure." A market can be competitive, in so far as there is no dominant company, and yet fail to generate efficient outcomes for a *range of reasons.* If the Thatcher government's aim is the creditahle one of attempting to make markets operate more efficiently then it needs more than organisations watching for predatory pricing and monopoly: other forms of "market failure" heve to be brought within the net.

The aim should be to remedy the underlying sources of inefficiency whicb market dominance only serves to aggravate. Markets can fail, for example, because of asymmetries of information between buyers and sellers and because of externalities (wbere a firm fails to take account of the impact of its actions on third parties). Competition, for example, between detergent manufacturers, can generate excessive branding and product differentiation: prices can remain above efficient levels because all competitors are locked into excessive advertising.

An example of how lack of information rather than monopoly as such can create inefficiencies was cited at the IFS conference: the market for cash registers. In a case investigated by the European Commission, a company was found to be overcharging for spare parts and after-sale care. Yet it bad only 5 per cent of the market. The problem was that purchasers of cash registers (like purchasers of motor cars) often did not know tha real price of what they were buying because they lacked information about after-sale costs. The solntion is not to insist on more competition in an already competitiva market but to ensure that sellers provida full information about costs

Greater emphasis on market failure would have several advantages. It would end the fiction that only market dominance is a source of inefficiency. Freed from this strait-jacket, competition authorities could legitimately investigate a range of issues currently smnggled in under dubious beadings. The momentum of the privatisation programme makes the fashioning of a more modern and all-embracing competition and regulation policy a matter of some urgency.

SUDAN AFTER THE COUP



Abdul Rahman Swareddahab

Bob Hutchison

The fear of history repeating itself

By Michael Holman, recently in Khartoum

SIPPING tea in the cool courtyard of his Omdurman guest bouse, Sadiq el Mahdi, Sudan's Prime Minister in the 1960s and a leading contender in the parliamentary elections scheduled for next year, acknowledges the formidahle array nf problems that face his country in the wake of last month's coup.

Drought and famine affect 4m Sudanese and some 1.5m refugees from neighbouring countries; the economy bas all but collopsed; the country cannot service a $9bn external debt; and a powerful rebel movement in the south is capitalising on the country's regional and religious differences.

Bnt for all that the mood is unusually upbeat. "There is the story told," says Sadiq el Mahdi, "of Marshal Tito on his deathbed, with tubes and drips and other devices keeping him alive. 'How are you,' a visitor enquired? 'Considering the alternative,' replied Tito, 'Very well'."

"The Sudanese people," observed the great grandson of the man who overwhelmed General Gordon of Khartoum 100 years ago and wbo today leads the Umma (Peoples) Porty, "heve seen the alternative."

The disaster which threetened Sudan under President Jaafar Nimeiri went beyond the problems of famine and economic mismanagement that trouble so much of Africa: his misbandling of deep-rooted religious and regional differences came close to earing the country apart.

At stake is the stability of Africa's largest state, which plays a key strategic role in tha Horn nf Africa, witb all that implies for the Middle East notably neighbouring Egypt and Sendi Arabia, a leading aid donor. The signs that the new government may be shifting from the pro-Western stanca inherited from Nimeiri—significantly diplomatic relations with Libya have heen resumed after a four-year break—is of obvious concern to the United States and its Middla Eastern allies.

In particular, Sudan is of vital interest to Egypt because of the possible control a hostile government could exert on the upper reachea of the Nile, whicb runs the length nf the Sudan. It represents a tempting target for Libya, seeking to exploit a potential hreeding ground for Islamic fundamentalism in a country in which two-thirds of the 22m population is Moslem. And it is deeply resented by Marxist Ethiopia because of Khartoum's support—so far—for the guerrilla movements of Tigray and Eritrea seeking autonomy or independence from Addis Ababa.

The country's new 15-member cabinet (13 of wbom are civilians) appointed last month thus face two daunting challenges: it must try to stem the economic decline and hegin to heal the political divisions by opening negotiations with the Sudanese Peoples Liberation Army (SPLA) which is waging a guerrilla war in the south.

At the same time, the cabinet has to preside over wbat promises to be a tumultuous 12-month transltion to full civilian rule. It must lay the groundwork for free and fair elections under a new constitution, and bold the ring as over 35 political parties and more than 40 unions jostle for power after a 17-year period when only Nimeiri's discredited Sudanese Socialist Union was allowed to function.

It would be a demanding task for the best of cabinets, but most of the new administration, answerable to the military council led by Ganeral Abdul-Rahman Swareddahab, has little experience of government.

The consequences of failure to act decisively and effectively can be seen in Sudan's own history. It was just over 20 years ago in October 1964, under circumstances which bad much in common with the April 6 overthrow of President Nimeiri, that General Ibrahim Abboud, the military leeder of the day, handed over power to a transitional government of civilians committed to early elections.

Five years later, after a series of political crises, a young colonel took power in May 1969 —Jaafar Nimeiri. At the time, according to one study of the period, he was welcomed by most Sudanese, "impatient with the bickering and corruption of the politicians, the deteriorating economic situation and the growing problems of the sonth." Only gradually did this support evaporate, to be replaced increasingly by the loathing which ended in last month's coup.

Thus, behind the near eupboria that marked Nimeiri's overthrow lies a critical question: wbat can be done to ensure that Sudanese history does not repeat itself?

There are two immediate issues which cannot be avoided, and which have far-reaching implications: the necessity for an agreemant with the International Monetary Fund (IMF), and the need to draw up terms which will hring about a cease-fire in the south and bring the SPLA into the transition.

Tbe cabinet, whicb is officially described as a "steering committee," does, however, have a brief breathing space. Saudi Arabia, anxious that a moderate state as much Arab as African sbould not be lured by offers of economic assistance into a closer association with Libya, immediately released after the coup some $62m of pledged but undisbursed aid, which, among nther things, eased the petrol shortage.

Cabinet must lay groundwork for free and fair elections under a new constitution

And there are three other important signs of confidence in the new administration: hoarders of sorghum, the staple food, have released some of their stocks, pushing prices down; the black market rate for the Sudanese pound has dropped in the wake of the coup to within 10 per cent of the official rate; and some of the 1m Sudanese working abroad have resumed remittances of their earnings, a major source of foreign exchange.

Tha temporary cabinet has few illusions about the task and will douhtiess recall one of the slogans chanted by tha crowds of Khartoum, demonstrating in tha week of the coup against increases in food prices: "We won't be ruled by the IMF." In Sudan, as elsewhere in Africa, one of the major conditions attached to IMF loans is the rednction in subsidies of foodstuffs. Not surprisingly, the country's new Prime *Minister*, Dr Dafalla al Gizouli, has indicated that he will approach IMF negotiations with caution.

But in the view of most economists, local and foreign—an agreement with the Fund is essential to the country's economic future. Relations with the IMF reached an all-time low earlier this year when Sudan failed to meet the targets attached to a Fund loan and fell into arrears in repayments.

Sudan has also been failing to meet its commitments to government and commercial debt rescheduled in 1984 by the Paris and London Clnbs. Without an IMF agreement, further rescheduling will he impossible, and the already heavy burden of a U.S.$9bn external debt will become crippling.

The second burdle is political, but it also has major economic ramifications. Unless the new Government can bring the rebels of the SPLA into the transition, efforts to rebuild Sudan will barely get off the ground.

Rebel activity in the south has effectively cut road, rail and river links and severely hampered two multi-billion dollar projects which on completion would provide a major boost to the economy.

Work has been brought to a halt on the 220-mile Jonglei Canal which would drain the Sudd (swampland) and open np more irrigated farmland. Rebels have also forced the U.S. company Chevron, which has already invested nearly $1bn, to suspend exploitation of the most promising oil areas in the south with an initial potential of at least 75,000 barrels a day and concentrate on less promising sites further north.

The initial response by Col John Garang, the SPLA leader, to the military council's overtures was not encouraging. The generals—who retain ultimate authority — represented no more than "the Nimeiri regime without Nimeiri," as Colonel Garang put it. When his unrealistic ultimatum that the military hand over total power to civilians within seven days expired, a temporary cease-fire in the south ended.

There are soma in Khartoum who believe it would be premature for Col Garang to leave his stronghold in the south.

"He is the only factor that can force the generals to keep to their commitment to hand over full power after a year," says one northern politician not entirely convinced that the military mean what they say.

It is just possible, however, that the SPLA can be diplomatically outmanouvred. The generals have been hinting at a quid pro quo which could, if implemented, cut off the SPLA from the source of supply — mainly Ethiopia and Libya. Though yet to be spelled out, the proposal that appears under consideration is that Sudan would end its assistance to the Eritrean and Tigray guerrilla movements in Ethiopia if Addis Ababa ends its assistance to the SPLA. A similar quid pro quo agreement could be reached with Libya, ending Sudan's support for the anti-Gadaffi National Front for the Salvation of Libya.

Whether a transitional administration can embark on such a far-reaching shift in foreign policy remains to be seen. It requires mending fences with hitherto hostile neighbours, possibly putting at risk the close relationship with the U.S., the country's leading donor which is not averse to the spectacle of the Marxist government of Mengistu Haile Mariam being drained by internal conflicts.

Certainly every policy move the caretaker government makes will be closely monitored by the country's political parties, preparing for a general lection after some 16 years underground.

Leading the field are two northern based traditional parties, the Umma Party which draws heavily for its support on tha Ansar sect, and the National Unionist Party, backed by the Khatmia sect, neither of which is likely to secure power on its own.

In tha south, the Southern Sudanese Political Association, the provisional chairman of which is Samuel aru Bol, a veteran politician, member of the transitional cabinet and deputy prime minister, is a coalition of former southern parties which may seek an electoral pect with the SPLA.

The key minority parties will be the Communists, and tha recently-formed National Islamic Front of Dr Hassan Turabi, leader of the fundamentalist Moslem Brotherhood, which welcomed President Nimeiri's introdnction of an especially harsh form of Sharia Law in 1983, a mnva deeply resented by the Christian south.

Officials of both Umma and the National Unionists believe that Sudan will remain an Islamic state—though emphasing that the Sharia punishments such as amputation for theft should end, and promising tolerance of Christianity. For them to say otharwise would severely damage their own political prospects, for most nbservers believe that the introduction of Sharia was hroadly welcomed in the north, despite scepticism about Nimeiri's motives and misgivings about its application in the south.

Whether *such modification* will satisfy the south remains to be aeen, but unless the new constitution guarantees both the south's autonomy—which President Nimeiri attempted to erode —and reconciles the Christian minority with an Islamic state, the divisions will remain, and perhaps intensify.

It is a tall nrder for the untested cabinet. If it fails to make a satisfactory start nn the long road towards reconstruction, the temptation for the generals to provide "strong government" may be overwhelming, and history could indeed repeat itself.

Shop window for nuclear power

The one point on nuclear power most people would agree about is that they would like to ba hetteri nformed about its virtues and bazards.

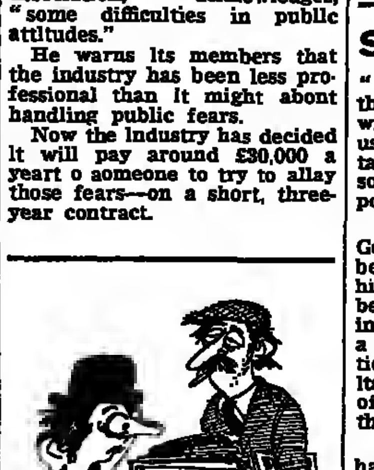
Britain's nuclear power industry bas now risen to that challenge. This week it hopes to pick someone to run a new £1m-a-year "sbop window" in London's West End designed to inform the world ahout the activities of its 40,000 employees.

A small sector of society contends, of course, that those employees and their work does naught but harm. However, the industry recognises thst many more peopla have worries, which it it failing to dispel.

Sir John Hill, doyen of the nuclear diplomats, and president of the British Nuclear Forum, tha industry'a trade association, acknowledges, "some difficulties in public attitudes."

He warns its members that the industry has been less professional than it might abont handling public fears.

Now the industry has decided it will pay around £30,000 a yeart o aomeone to try to allay those fears—on a short, three-year contract.



"Strewth—I hope that's not the building society"

Men and Matters

The targets are to be schools, universities, and learned societies, as well as the man-in-the-street, says John Baker, the Central Electricity Genersting Board memher to wbom tha appointee will report. So, if Baker's "bureau for ideas"—es be sees the new centre—gets it fact wrong, it can expect short shrift from the intellectuals.

Baker says, 'It is not a dramatic headline-seizing campeign." Rather, its sigbts will be set npon the 1990s when the industry bopes to bave balf-a-dozen new nuclear stations under construction.

Summer of '83

"Vintage of the century"—that debased currency of the wine trade—is a term rarely used wban describing port vintages, possible because it takes so many years for a young port to reach maturity.

But Peter Cobb, Director of Gockburn's, clearly feels that be has something special with his 1983 vintage which is now being tasted for the first time in London. He says "1983 was a year of idea weather conditions. Moreover, the vintage itself was carried out in some of the most perfect weather thet enyone can remember."

Certainly Cockburn's 1983 has had to compete against a galaxy of stars. The ahipper has taken the opportunity to show every Cockburn vintage of the 20th Century—plus tha venerable 1863.

Mindful of the fect that "even we cannot presume to do God'a work for him every year" Cobb says that Gockburn's has invested in an additional 500 acrea in the Upper Douro, Portugal, to ensure the quality of the standard ports, even when weather conditions are not as ideal as in 1983.

As for the 1983 wine itself, Cockburn modestly calls it, "a vintage of excellent colour with plenty of backbone and body—a fina and very well-balanced wine."

Peacemakers

Even the computer room was given a special prayer when Hugh Montefiore, Bishop of Birmingham, blessed the new headquarters of the Midlands region of the Industrial Society for its director, and old school chum, John Garnett.

Tha fast-growing and independent society, pledged to improving *understanding between* managemant and workers, expects revanue next year, at £7.6m, to be more than double that of three years ago.

Montefiore, who has sought advice himself, from the society before passing jndgment on the car industry strikes that have divided his diocese in the past, led a peripatetic service of blessing, moving—each time with a different piece of scripture and a prayer—from conference rooms, through offices, kitchen and dining area, computer room, into reception.

There, perhaps, was delivered the message of most relevance tn a region once notorious for its militant industrial relations but now noted for its moderation:

"Remember 'to show bospitality. There are some who, by so doing, bave entertained angels unawares" (Hebrews 13:2).

Nest-egg

Some five months after he left the *National* Goal Board pension funds to run Heron International's North American business, one nf Hugh Jenkins' investment nest-eggs has hatched out profitably for Hobart House.

Five years ago, Jenking gave his pension funds' backing to former computer salesman Tony Banks, in setting up an equipment leasing company.

He put in £3.2m in debentures and preference shares—all of which has been repaid as the company doubled its profits year by year. He also bought 5,000 £1 shares in tha venture.

The company, Combined Lease Finance—with Jenkins' successor as head of the NCB pension funds, David Prosser, now chairman—has just raised £7m with a private placing.

Three former NCB men, Lionel Anthony, Jonathan Thornton and Steven Gurran, each now involved in different venture capital concerns, were among those who took an interest in CLF.

On the basis of CLF's new capitalisation, the £5,000-worth of sheres which Jenkins bought for the NCB pension funds in 1980 are now worth just under £4m.

Some talk of . . .

Any casual visitor to the Whitehall Room in the basement of the Notional Liberal Club this week is likely to be rapldly reduced to a state of bewildarment.

It's not just that the proceedings going on there—an appeal by Ian "Goldfinger" Posgate against a threat to expel him for life from tha Lloyd's insurance market—are complicated.

The confusion is made worse by the names of those involved.

To begin with there is Robert Alexander, QC, talking about bow Alexander and Alexander took over Alexander Howden.

He is opposed by Peter Scott, QC, who has no connection with Sir Peter Scott or his explorer father.

Presiding is Lord Wilberforce, who is descended from William Wilberforce, the man who fought for tha abolition of slavery.

Those names apart, there is also frequent mention of Posgate's "names"—ie those members of the underwriting syndicates for whom he acted.

Observer

EUROPEAN HELICOPTERS

Now, an Anglo-Italian axis

By James Buxton in Rome

A HIGH-LEVEL meeting two weeks ago on HMS Britannia, the Royal yacht, has given a major impetus to the plans of Britain and Italy to create a co-ordinated and rationalised helicopter industry that would be the biggest in Europe.

The two countries already look likely to develop between them a new version of the A 129 Mongoose anti-tank helicopter built by Agusta of Italy. They may also collaborate in improving Westland's W.30 transport helicopter. Now the two governments want Agusta and Westland to integrate their marketing and export strategies.

Anglo-Italian co-operation in the helicopter industry is a response to the growing collaboration between France and West Germany in helicopters and other defence fields, and to the current difficulties of both Westland and Agusta.

Britain believes it may also help ease the way towards selling the Sea Harrier jump jet to the Italian Navy. Italy sees it as part of the upgrading of its substantial defence industry into a major Nato supplier.

Britannia was in Italian waters for the visit of the Prince and Princess of Wales—a visit that opportunely included the Agusta plant near Milan. Agusta is, like Westland, its country's only major helicopter maker. It was built up by the Agusta family after the war, mainly using licences from U.S. helicopter manufacturers, and did well until a few years ago selling mainly in developing country markets, especially in the Middla East.

But the recent decline of the world helicopter market, financial mismanagement and the company's move to designing its own helicopters brought about a crisis that exploded last year. Soma 4,000 of the company's 10,500 labour force had to be put on state-subsidised lay-off, and the state holding company Efim, which had bought into Agusta in 1973, pushed its stake in the company up to almost 91 per cent.

An important cause of Agusta's troubles was the A 129. The company spent L 700bn (£300m) on developing this anti-tank helicopter without a partner in another Nato country. The helicopter itself is the most advanced of its type in Nato—even the U.S. does not have an equivalent—but so far only the Italian Army has ordered it, to the tune of 60 aircraft.

Worse for Agusta, France and West Germany dacided last year to design, develop and build their own anti-tank helicopter, named the PAH 2, rather than buy or improve upon the Italian model. What Italy saw as the French refusal to acknowledge Italian primacy in anti-tank helicopters caused great hitterness, and the French collaboration with West Germany revived Italian fears of a Franco-German "directorate" in Europe.

The Italian Government realised that the best hope for the A129 and for Agusta itself was collaboration with Britain, which needs more than 100 anti-tank holicopters for its army in the 1990s. The British were impressed hy the A129 but felt it would need developing to meet the army's requirements for a heavier machine, capablo of carrying more armaments.

Both Britain and Italy have now instructed their air staffs to produce a joint target or outline requirement of the kind of Mark 2 of tho A129 they would like to see. It should he ready in two months. Next, Agusta and Westland will be asked to produce a feasibility study of an aircraft to meet the specifications — which will take a further nine months to a year.

Westland itself, now subject to a takeover bid from a consortium led by Mr Alan Bristow, is suffering from a collapse of sales similar to that of Agusta, and there are serious doubts over the future of its transport helicopter, the Westland W.30—recently rejected by India.

But its future is partly secured for the 1990s by another project on which it is already working in a 50-50 partnership with Agusta. This is the EH101, a large offshore helicopter whose prototype will fly in 1987.

The British Government also believes that the much criticised W.30 could if properly developed still form the basis of a troop and transport helicopter for Nato forces in the 1990s, a requirement code-named NH 90 which Britain, France, Italy, West Germany and the Netherlands are all examining.

Tho more the two helicopter companies collaborate on specific projects, the more obvious the need becomes for them to rationalise their marketing and sales operations. Tho two companies would have a combined turnover of over £700m. Much, however, depends on what Westland's prospective new owners want to do. Westland and Agusta last month signed an outline co-operation agreement, details of which should be announced at the Le Bourget air show at the end of this month.

Aerospace deals never come without strings. If Britain went ahead with joint production of the A 129 Mark 2, thereby helping out Agusta, it would hope to win another aerospace order from Italy—a possible contract for up to 18 British Aerospace Sea Harriers from the Italian Navy. But here Britain is getting into the most sensitive issue in Italian defence politics today.

The Italiap Novy should take delivery early next year of the Giuseppe Garibaldi, a 13,000 ton through deck cruiser —a mini aircraft carrier rather smaller than Britain's Invincible, of Falklands fame. The Garibaldi has all the equipment, including a modest ski-jump, for bandling vertical take-off and landing aircraft (Vstol). At the moment, however, she is destined to carry only belicopters.

This ls because under a law of 1923 the Italian Navy is forhidden to operate aeroplanes. For more than a year military men and politicians have been arguing whether the law should be abolished. Broadly, the Air Force is opposed and the Navy, naturally enough, is in favour.

Sig Giovanni Spadolini, the Minister of Defence, has now asked Parliament to give its opinion on the issue, though it probably will not do so for several months. But the view is gaining ground that the Navy will in the end get its way.

The navy is known to prefer the Sea Harrier as the most suitable maritime Vstol aircraft availahle.

But here things become difficult. Aeritalia, the other major Italian oerospace company, has little to gain from an order for Sea Harriers.

Given the rivolry between Aeritalia and Agusta, and the delicate political balance between the two state-owned companies, a potential Sea Harrier order would probably have to be offset hy something involving Aeritalia. But there are few obvious projects availahle

One possibility, however, is the $25bn European fighter aircraft project for a new Nato fighter (EFA). Here the dispute is between French and British designs, the latter hroadly supported by West Germany, Spain and, significantly, Italy. Whether EFA survives as a five-nation project or whethor France goes its own way ahould be decided next week at a defence ministers' meeting in Rome. The outcome of that meeting could be crucial to Anglo-Italian co-operation

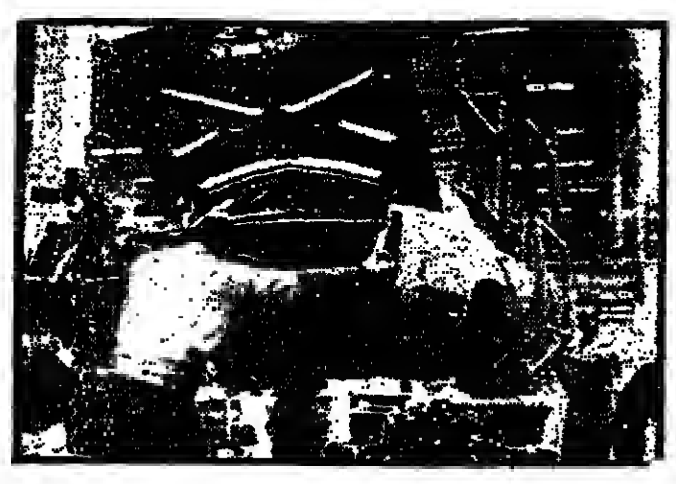
U.S. companies dominate the world helicopter market, with approximately half of the market for civil helicopters. Bell Helicopter vies with Sikorsky, part of United Technologies, as the world's leading belicopter supplier in both civil and military sectors.

The two companies are followed by Boeing-Vertol, famons for its twin-engined Chinook transport helicopter. Hnghes, part of the U.S. McDonnell Douglas Corporation, makes a range of speciality helicopters, mainly for military purposes.

In Europe, the French state-owned Aerospatiale group is currently the largest belicopter manufacturer. Westland of the UK is second, followed by Agusta of Italy (its A109 is shown above) and Messerschmitt - Bolkow - Blohm of West Germany.

Tho world helicopter market is complicated by a number of licensing agreements between the large, established hellcopter mannfacturers in the U.S. and Europe and other countries, especially in the developing world. Brazil for example has a helicopter industry through its collaboration with Aerospatialo of France.

Labour mobility



The U.S. can be inflexible, too

By Michael J. Piore

EUROPEANS, concerned about stagnating employment levels, have increasingly focused on the U.S. where 15m additional jobs have heen created in the last 10 years. There is a wideapread belief that this is attributable to the greator "flexibility" of American employment relationships. Policy makers and commentators seem to believe that U.S. employers are free to discharge workers at will, and for this reason, they are willing to hire workers freely. In Europe, where discharge is restricted and expensive, employers are afraid to expand employment for fear that they will be stuck with surplus labour if demand subsequontly turns down.

This view ia based upon a widespread misunderstanding of the nature of the U.S. employment relationship. It is true that American employers are free to vary the level of employment in a way in which Europeans, and especially French employers are not, hut they can only do so in accord with a complex set of rules and procedures designed to protect employee rights and insure equity in the distribution of jobs. Adherence to this imposes certain costs for lay-off and discharge and inhibits expansion in precisely the same way as the European rules.

Broadly speaking, U.S. restrictions centre on the allocation of work within the enterprise. Management is free to vary the level of employment, but does not control which particular workers will remain on the job when employment turns down and how the work which remains will he distributed among them. These are governed instead by a collective hargaining agreement negotiated with the union or, in non-union establishments, hy a set of rules modelled on those in the unionised sector. These contracts and rules also require that if employment subsequently expands, previously discharged workers must be rehired before the jobs are opened to new employees. The rules, moreover, tend to give very great weight to seniority relative to other criteria.

The prototype of the system in terms of which these rules are concelved is one in which all tho jobs in tho onterprise are lined up in rank order according to tho wago which they pay, from the highest paying job at the top to the lowest paying joh ot the hottom. Workers are then assigned to these jobs by date of hire; the worker with the earliest date of hire gets the top paying job, the worker with the second earliest date the next highest paying job and so on. If the top paid worker dies or quits, then every worker moves up one job.

The principal cost of this system is the "cost of movement": if there are 150 jobs in the enterprise, then in the extreme, to replace one worker, 150 people must move to a new joh: to reduce employment by one person, the employer could be required to transfer 149 people to new jobs. If the workers have not previously beld the jobs, then the cost is even greater because the employer must pay for training.

The costs of changes in employment under this system are in fact so great that the prototype is virtually always compromised in practice. There are three principal modifications. First, jobs are grouped together in classes, and employee rights are tied to joh classes. Second, the enterprise is divided into districts and employment rights are confined to one of these districts. Third, the application of seniority in job allocation is modified in one way or another, to take explicit occount of workers' ohilities and previous experiences. The system even with these modifications entails substantial movement and the cost of that movemont acts as a deterrent to variations in the level of employment. The deterrent is especially strong for short-run variations in employment levels

It is hard to compare these costs to those of restrictions prevailing in European countries. They may or may not be greater than the cost of severance pay or administrativo proceedings which deter variations of omployment levols in Western Europe. But they are very real. Employers talk about them freely, with each other, with unions, and with scholars (although apparently not with Europeans).

In addition to the cost of short-run employment fluctuations, there is a second, hidden cost to this system, about which American employers are now even more concerned. Because employment security and income are so tightly bound to job assignments, workers ond their unions must be very solicitous of tho integrity of joh definitions. Employers are as a result tightly constrained by work rules, not only when employment levels vary hut in the moment-to-moment operation of the production process. These restraints bave become increasingly irksome in the last decade as a more and more flexible production process has been required to respond to that climate efficiently.

Thus, in recent years, a dehate about flexibility in employment relations has emerged in the U.S., just as it has in Europe, but when American employers talk about "rigidity" it is tho rules constraining work assignments to which they refer; they look toward Europe for a more flexible syatem and attrihute the stagnation in labour prodnctivity in tho U.S., which contrasts sharply with gains in Europe, to Europe's greater flexibility.

Not oll American employment relationships aro structured by the same prototype. Indeed, the "seniority system," as it is called, is typical only of hlue collar employment, and even for blue collar work, there are some enterprises which are exceptional. But the few American employers who have escaped these internal work rules appear to do so hy providing exactly tha same kinds of protection against lay-offs that prevail in Western Europo. The so-called hlue-chip firms like IBM and Texas Instruments, for example, guarantee continuous employment to their blue collar labour force. If work rules and seniority systems are largely absent in white collar work, it is primarily because, until quite recently, employers have seldom had to reduce white collar work.

In the absence of o precedent, implicit employment guarantees have developed for professional and managerial workers in large enterprises which, again, ore like those prevailing in Western Europe. In the past five years, when professional and managerial jobs havo been oliminated in large numbers, employers felt compelled to nffer enormous severance pay and provide apecial, individually tailored programmes for retraining and job search. To avoid the appearance of favouritism, they offered these settlements to all comers, or on a first-come first-serve hasis

The only type of U.S. employment which actually conforms to the European picture of the American labour market is lower level clerical and retail jobs beld largely by women. The rapid introduction of electronic data processing in banking and insurance may, for the first time, lead to large lay-offs among such workers. But clerical employment is the one sector of the U.S. labour market where management still feels acrively threatened by unionisation, and it remains to be seen whether employers will feel free to carry out a substantial employment cutback without large severance payments to forestall resentment and retain the royalty of those workers who remain.

The lesson to be drawn from the American system la not that changes in employment systema ore impossible. Indeed, nuite the contrary. But U.S. labour history does make oleor that labour is not a commodity. Different structures aro possihle, and it is prohahly possible to alter structures to accommodate shifting economic pressures as well as to move from one type of structure to another. But the ottempt to ahandon social restraints completely in order to accommodato economic pressures is likely to lead to the imposition of a new system of some kind. Tho lesson which American managers tend to draw from their own experience is one about just how much more constroining that new system could become than the ones prevailing in Europe today.

The author is Professor of Economics at Massachusetts Institute of Technology, specialising in labour economics and industrial relations.

Letters to the Editor

Spending time on pensions

From Mr A. Shone

Sir,—A considerable time was spent by management and others prior to the introduction of the state earnings related pension schemo (Serps) in 1978 to ensure that a company's pension arrangements fitted with the now scheme. Similarly, considerable time was spent on examining the Crossman pension proposals prior to 1970 and the Joseph proposals prior to 1974. Time that was in fact wasted as the proposals were totally scrapped.

In contemplating the scrapping of Serps I hope the Government will bear in mind the amount of time the same people will havo to spend in preparing for the introduction of any successor scheme.

Serps is known to be too expensive and to have many faults, but abolishing the scheme and starting again is unnecessary. Adjusting it and amending it can achievo the desired result with the advantage that unproductive time will be minimised.

Prior to coming into office, the Government was committed to freeing employers from excessive, unproductive Whitehall-inspired activity. The Government must not forget this commitment.

Anthony W. Shone,
South End Mills,
Liverpool.

Taxation of benefit

From the Executive Director, Managerial, Professional and Staff Liaison Group.

Sir,—Although the Chancellor's Budget held the status quo it appears that certain economic and political commentators are intent on preparing the ground for a future Chancellor of the Exchequer to impose additional taxation on anyone who holds a mortgage, or pays into a pension scheme, or receives "benefits" from an employer, such as health insurance.

The commentators usually make no attempt at analysing the justice of making proposals for additional tax, possibly because none is available to be made. Instead they seek to enlist prejudice to their cause by such statements as "mortgage relief is equivalent to giving away £10bn" or "nothing has been done about the privileged position of pensions."

Surely, if there is to be a proposal to change the tax position of pensions, mortgages and benefits it should be based on a reasoned argument regarding the relative advantages to the community, not on unreasoned prejudice. Changes which would work against home ownership, against provision for retirement, and against the efficient deployment of o professional workforce, changes which would cost the community mnch more than they may purport to save should not even be contemplated before they have been tested at a general election, and subjected to detailed analysis by those who, can speak on behalf of those most closely affected.

Wilfred Aspinall,
Tavistock House,
Tavistock Square, WC1

Africa at the summit

From Mr W. Ward

Sir,—Your leader "Africa at the summit" (May 1) highlighted the need for Western countries to respond to "the disastrous state of the economies of Africa." At present, however, there is little evidence to suggest that bilateral donors will pay more than lip service to tho new approach to African development encouraged by, among others, the World Bank. It is more than likely that policy reform will remain merely a one-way street with African Governments undertaking painful policy adjustment whila donors continue to provide diminishing volumes of aid in the traditional poorly co-ordinated and inappropriate manner.

The British aid programme, for example, is planned to decline in the current financial year by about 3 per cent compared to last year. In contrast to the unprecedented generosity of the British public the Government's response to the African famine has come solely from switching funds to emergency use from within the overall shrinking aid budget.

There are equally significant qualitative concerns. Far too little of Britain's longer term development aid to sub-Saharan Africa is devoted to agriculture. In 1983 a mere 27 per cent of Britain's project aid was devoted to the agricultural sector and a low proportion of that was available to rain-fed (that is mainly peasant) farming.

British aid to sub-Saharan Africa is becoming increasingly inflexible. Support for local costs, for example, particularly important for projects which help the poor has suffered a decline in cash terms of 25 per cent (even greater after allowing for inflation) over the period 1980-83. Similarly programme aid, another more flexible form of assistance used for balance of payments support has suffered a 55 per cent cash reduction in the four years from 1979-80. In addition procurement-tying of programme aid to British goods has resultod in two-year delays of full disbursement undermining the central objective that such aid should be spent as rapidly as possible.

The British Government has indicated its full support for the World Bank's special programme of action for sub-Saharan Africa and has accepted other proposals for improved donor co-ordination. It is not enough to embrace these commitments on paper without tho intention to fully implement them. Even less acceptable is the propensity for donors to lecture African Governments about domestic policy reform if their own aid performance is not also subject to similar critical scrutiny.

David Ward
(Campaigns Officer
World Development Movement)
Bedford Chambers,
Covent Garden, W.C.2.

Diplomacy and trade

From the Co-ordinator,
Ove Arup Partnership

Sir,—I am aware that tho Foreign Office attaches significant importance to the promoting of Britain's commercial interests (Mr Meyer, April 29). I do feel, however, that performance in this area leaves something to be desired.

I am also oware that all new commercial officers "undergo an intensive five-week course"; I have played a minor part in helping with this. This course, however, takes the form of a series of briefings rather than a course in commercial issues and management. Other nations seem to take the view that this is o professional role and prepare their people accordingly. There is much more interchange or secondmont both between homo and overseas government departments, and between government and the private sector.

The mere provision of manpower — whether on the right scale or not — does not answer the needs.

Richard Oake,
13 Fitzroy Street, W1

Decontrolling rents

From Mr B. Crofton.

Sir,—Dr Graham Hallett (April 27) misses the point. Rent decontrol will not increase the supply of private rented housing. The reason for this is not uncertainty about permanence of decontrol, but the economics of housing supply.

Private investment and housing for rent has been relatively unattractive ever since the rise of financial institutions catering for the long term investor early this century. The evidence is that the original introduction of rent control in 1916 was an effect, not a cause, of housing shortage.

After the 1957 Rent Act decontrolled privote sector rents, the rate of decline accelerated as landlords took the opportunity to sell into owner occupation. There is no reason to expect that anything different would happen if the experiment were repeated.

The response to the Government's assured tenancy schemo—hased on market rents—has been insignificant. In the four years since the scheme was introduced, only a handful of dwellings has been provided under the scheme.

To make building for rent as attractive for the private market as building for sale, the Government would have eithor to scrap owner-occupiers' tax relief—as Andrew Walker pointed out (April 19)—or subsidise the private landlord. The Prime Minister's recent statement on mortgage tax relief would seem to rule ont tha former, and her attitude to public spending precludes the latter.

Rather than grasping at another half-baked proposal which will only exacerhate the problems of tha private rented sector, the Government ought to admit that tha shortage of rented accommodation can only be met by allowing local authorities and housing associations to huild more homes.

Bernard Crofton,
(Head of policy and resources branch, Greater London Council Housing Department),
County Hall, SE1.

Burdens on business

From Mr A. Napier

Sir,—The letter (April 20) and article (April 10) on the Government report "Burdens on Business" imply that only managers and entrepreneurs were consulted about the effect of these burdens on employment creation.

There is no way I can pay myself and an employee and still keep below the VAT registration limit of £19,500 of turnover.

There is therefore no way that I am going to take on evon one employee. This is absolutely without discrimination as to race, sex, marital status, age or anything else.

No one took evidence from me on job creation.

Alec W. Napier,
Wrecclesham Grange,
Farnham, Surrey.

FINANCIAL TIMES
Wednesday May 8 1985

Uniroyal in $750m buyout to fend off Icahn

By William Hall in New York

UNIROYAL, the fourth biggest U.S. tyre manufacturer, has fought off an unwelcome takeover bid from Mr Carl Icahn, the New York financier, by agreeing to go private in a $750m leveraged buyout.

Uniroyal, which only four years ago was on the verge of bankruptcy before a dramatic recovery, has been seeking a friendly suitor for some time following Mr Carl Icahn's $18 a share offer for majority control. Its shares, which had reached a low of $3.13 in 1980, have been rising in recent days as takeover speculation mounted.

A friendly merger with Ethyl Corporation, a Virginia-based chemicals group, broke down on the question of price but late on Monday evening the beleaguered tyre company announced that it had agreed to be acquired for $22 per share cash by Clayton & Dubilier, a private investment company which specialises in leveraged buyouts. Uniroyal's management, headed by Mr Joseph Flannery, will remain and will have a stake in the new company.

Mr Icahn, who had acquired almost 10 per cent of Uniroyal following his unsuccessful but profitable bid for Phillips Petroleum earlier this year, has agreed to back the leveraged buyout and in addition to an estimated $16m profit on his stake will receive $5.9m for his expenses and co-operation.

Uniroyal, which is highly dependent on its sale of tyres to General Motors, has slimmed down the size of its business considerably and slashed its borrowings in recent years under Mr Flannery's direction. In the first three months of the year it earned $21m from continuing operations on sales of $500m. Tyre sales account for roughly half the group's revenues. Its chemicals, rubber and plastic materials operations account for near a third of sales and the balance comes from engineered products and services.

Although Uniroyal has managed to fight off Mr Icahn's unwelcome attentions, the battle has once again highlighted the doubtful value of the various anti-takeover devices that vulnerable companies have been erecting.

Uniroyal's shareholders narrowly approved the company's proposals for staggered terms for its directors and a "fair price" provision under which all its shares would be valued equally in any takeover. Mr Icahn was challenging the shareholder vote on the anti-takeover amendments in court.

U.S. and Spain plan to review military ties

BY DAVID WHITE AND REGINALD DALE IN MADRID

THE U.S. and Spain yesterday announced a "broad overall review" of their military relationship but agreed to disagree over Nicaragua.

Both sides were at pains to play down differences over Central America and the future of U.S. bases in Spain – the two most contentious issues during President Reagan's two-day visit.

However, Spain's divergence with the U.S. on Nicaragua will be highlighted at the weekend, when President Daniel Ortega of Nicaragua is due to visit Madrid on his way back from Eastern Europe. Sr Felipe Gonzalez, the Spanish Prime Minister, is expected to meet President Ortega during a "technical stopover" on Friday or Saturday.

While Washington is clearly not pleased by this visit, Mr George Shultz, U.S. Secretary of State, said its final reaction would depend on the extent of the welcome given.

Mr Reagan and Sr Gonzalez, in formal declarations, both accepted the existence of differences but emphasised the importance of maintaining close and friendly relations.

Both Mr Shultz and Sr Fernando Moran, the Spanish Foreign Minister, stressed their agreement on long-term objectives in Central America – support for democratic pluralism and a negotiated solution through the four nation Contadora peace process.

But they disagreed over how far Nicaragua had already slipped towards a totalitarian regime and towards the Soviet camp – and thus on the likely impact of last week's U.S. trade boycott.

Sr Moran described the boycott as "dangerous" and cited the precedent of similar pressure policies against Cuba. Mr Shultz denied that the U.S. had requested Spanish intervention or mediation in the conflict.

Spain has meanwhile apparently backed down from its demands for early formal negotiations on reducing the U.S. military presence in the country.

The two administrations are to embark first on what Sr Moran called "pre-negotiations" through diplomatic channels to establish their starting positions and to study the political and technical considerations involved.

Mr Shultz said Spain had made "no proposition at all" on the possible extent of U.S. base cuts during the talks. He said the review process would take place well in advance of formal negotiations which have to start before the current bases agreement expires in three years' time. Both sides said it was premature to go into details.

Picture, Page 2; Nicaragua's new markets, Page 4; Editorial comment, Page 16

Call on U.S. offshore oil groups to link up with UK engineers

BY IAN HARGREAVES IN HOUSTON

BRITAIN has told U.S. offshore supply companies working in the North Sea that they should form joint ventures with UK engineering companies in order to speed the transfer of advanced oil industry technology to the UK.

Mr Alick Buchanan-Smith, Britain's Energy Minister, yesterday in Houston made the Government's toughest pitch yet to the U.S. companies which dominate the international oil industry.

Although not referring directly to behind-the-scenes pressure for joint ventures, Mr Buchanan-Smith told oilmen at the Offshore Technology Conference that they must help Britain to build an export base for its oil supply industry. New criteria in the ninth round of offshore licensing would ensure this process took place, he said.

"For 10 years we have been largely dependent on imported technology in some key areas. The new technology criteria ask for a stronger UK effort to achieve a more reasonable balance, notably in respect of the next generation of offshore oil and gas fields.

"It is reasonable that the UK gains the maximum benefit from its national resource and that it should ask the oil companies to plough back some of the benefits they have obtained.

"I intend to ensure that the industry and technology spawned by our offshore activity contributes to our national wealth. The U.S. industry has benefited from the Gulf of Mexico – UK industries must benefit from the North Sea," Mr Buchanan-Smith said.

The seriousness of the Government's intent on technology transfer has gradually emerged since it used the offshore supplies office earlier this year to ensure that Shell placed most of a series of key conceptual design contracts for the £2bn ($2.36bn) Gannett-Kittiwake Field with UK firms.

This move produced a strong though private reaction from U.S. engineering companies, several of which have large UK employment bases and have argued that it is unfair to change the licensing rules governing the definition of a British supplier midway through the North Sea development process.

Mr Buchanan-Smith has made it clear in private meetings that the tougher technology provisions of the eighth and ninth licensing rounds will be applied retrospectively where necessary to fields such as Gannett-Kittiwake, which was discovered under an earlier licensing round.

The latest bout of pressure for joint ventures, however, raises the stakes in the government campaign and will mean Britain following the example of some countries in the developing world in demanding that the U.S. oil industry finds equity partners in order to transfer technology.

Bechtel, the privately owned U.S. engineering group, reacted particularly strongly against the Gannett-Kittiwake awards and carried out what British government officials described as a Washington-style lobbying campaign which involved even the Prime Minister.

As part of its efforts to promote its British identity, Bechtel's UK subsidiary is exhibiting at the Houston exhibition as part of a 120-strong UK contingent, built around a stand run by the OSC itself. The UK presence at OTC, one of 21 nations involved, is the largest non-U.S. element.

Mr John d'Ancona, director of OSC, said the British effort for this year's exhibition was the strongest in the 16 year history of the event. "I think you can see a much greater degree of self-confidence among British suppliers. There's a feeling now that we have done our work in the North Sea where conditions are really difficult. The Gulf of Mexico is a game by comparison," he said.

The North Sea, in the middle of a drilling and development boom following tax cuts in the 1983 UK budget, is acknowledged to be the busiest and most attractive offshore area in the world. This explains why U.S. companies are so anxious to protect their position.

British Gas sale details, Page 8

Midland raises $500m in FRN issue

By David Lascelles, Banking Correspondent, in London

BRITAIN'S Midland Bank moved yesterday to repair the damage caused by the losses of Crocker National Bank, its Californian subsidiary, by raising $500m of new capital in the Euromarkets.

It is also preparing to sell part of its stake in Trinkhaus und Burkhardt, its West German merchant bank, in a deal that could yield about £25m ($30m).

The Euromarket issue consisted of the newly popular perpetual floating rate notes which the Bank of England now recognises as primary capital. Modelled on Lloyds Bank's pioneering issue last week, the Midland notes would be treated as preference stock if the bank went into liquidation. Interest payments can also be suspended if Midland passes its dividend.

The notes pay ⅛ percentage point over the offered rate for six-month Eurodollar in the London interbank market. This is similar to the Lloyds issue, which was generously priced to attract investors to a novel instrument. The notes, brought to market by Samuel Montagu, Midland's merchant bank, were trading around par yesterday afternoon.

The proceeds of the issue more than cover the $350m that Crocker has lost over the last two years. Earlier this year Midland injected another $250m into its Californian subsidiary and provided a $125m revolving credit.

Midland's is the third perpetual issue in less than a week. The Lloyds issue totalled $750m, and Standard Chartered issued $400m.

Mr Robin Leigh-Pemberton, Governor of the Bank of England, said yesterday in his first public comment on the new market that the success of the issues showed that the central bank's proposals for perpetuals were not too rigorous, despite the criticism that greeted them last year.

"We recognise that we are being rigorous, but we firmly believe that this is in the long-term interests of the banking community," he told a London banking conference.

In Düsseldorf, Trinkaus und Burkhardt said that it was altering its structure from a partnership into a corporation. This will enable Midland to reduce its 92 per cent stake to around 70 per cent, a level which it says is more appropriate. Midland acquired 70 per cent in 1981 but was obliged to buy the additional interest from another partner under the terms of the deal.

Trinkaus does not publish full financial details. However, it is one of Midland's more profitable subsidiaries. Last year it is believed to have made a profit of about DM 60m ($20m)

Our Trade Editor writes: A contest to arrange a £300m British line of credit for Iraq has been won by the Midland Bank.

The bank secured the mandate in competition with a group led by Morgan Grenfell, the London merchant bank, which arranged the previous credit line under a joint government protocol.

A £100m general purpose medium-term loan is being made available to the Rafidain Bank of Iraq to fund UK exports of capital goods and equipment. Another £150m is in the form of a buyer credit for projects nominated by the Iraqi Government; and there is a £50m short-term credit for the supply of pharmaceuticals and medical supplies.

The Midland group includes the National Bank of Kuwait, UBAF Bank, Chase Manhattan and Manufacturers Hanover. The mandate was awarded under a protocol signed last November.

International bonds, Page 19

THE LEX COLUMN

April downpours from the banks

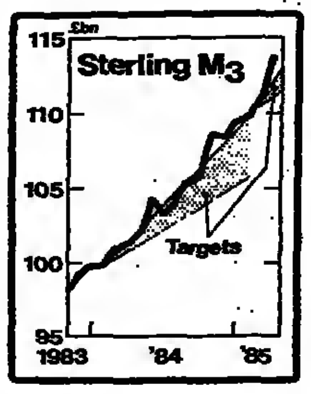
So the Bank of England was right after all. Yesterday's UK money supply figures for banking April vindicated last month's cautious line on interest rates but unfortunately the central bank had not a moment spare to savour the occasion. Confronted with the largest monthly rise in sterling M3 since the corset was removed five years ago, the Bank and the Treasury spent the entire afternoon deafening the market with mitigating factors.

Far and away the most plausible of these was the additional borrowing incurred to take advantage of the higher 1984-85 investment allowances. The official guess is that this item contributed roughly £1bn of the £2.6bn increase in sterling bank lending and there is no reason on the face of it to doubt that number. The March trade figures suggested that capital goods imports were running at a very high level just ahead of the tax deadline, while other indicators have also pointed to a bouyant domestic economy towards the end of the quarter.

But, even allowing that the capital allowance distortion was responsible for a full £1bn of extra lending and that the effect will be fully unwound later in the year, sterling M3 was still growing at an underlying rate of about 2 per cent during the month and that is well above target.

It is easy enough to speculate on other possible distortions but none of them sounds quite convincing. April is a month of exceptionally heavy seasonal adjustments – the crude public spending borrowing requirement was probably £2bn higher than the reported figure – but if the adjustments are wrong they could be wrong in either direction. The discount houses noticed some round-tripping early in the month but this should broadly have been counteracted by the unwinding of previous arbitrage positions. To judge from the PSL2 figure, banks won deposits at the expense of building societies but that fails to explain what appears to be very general growth in personal sector lending. If the corporate sector has indeed been running up sterling debt instead of remitting foreign currency earnings, it has not mentioned the fact to anyone.

The impression remains that the broad monetary aggregates are growing faster than they should be at a time when calls on the equity market and an embarrassing bill mountain make it peculiarly difficult for the Government to overfund. While the prospect of a cut in base rates has now receded, an increase is not an attractive – or necessarily effective – option. It is too early in the year to predict any widening of the monetary targets but what the Treasury might call a more long-term approach must now look mighty appealing.



Stores

To trade Marks & Spencer against British Home Stores is the most natural of occupations for any fund manager who plays the stores sector at all. Odious as the comparison no doubt seems to both companies, it is all but irresistible to investors, and unavoidable when their profit figures happen to collide in the market place. Perhaps BHS had a slightly better bearing in the City yesterday; its shares were marked up 11p to 293p while Marks shares slipped a couple of pence to 134p. Yet in the light of Marks' aggressive and expensive new strategy – which will involve spending nearly £500m in upgrading and expanding its stores over the next two years – it would take a pretty convinced adherent of BHS to argue that the market movement was saying much about the longer term.

Despite Marks' well-ventilated problems in women's wear last autumn, the actual figures for the year to March were impressive enough; even clothing volume was 6.6 per cent higher, and net margins on more than £3bn of sales were maintained at a fraction under 11 per cent. Most encouraging, the growth in food sales seems to be no nearer reaching any natural limits, while Marks is evidently managing to develop its homeware lines in a successful and rapid invasion of territory that Habitat once had all to itself.

Given the generally positive consumer response to elements of Marks' new recipe – the consumer credit operation, the introduction of specialised satellite stores to liberate existing space for better focused fashion displays, and the concentration on food in some of the smaller sites – it seems evident that Marks now has the ability to move up a gear. If this year's pre-tax increase of £24m – to £303.4m – seems a touch pedestrian, it has to be recognised that Marks is already feeling the burden of a rising depreciation charge, up 27 per cent in the year before the spending programme really takes off. Though there is a warning message in that increase, it is not only, or even primarily, intended for Marks' own shareholders.

British Home Stores, after all, is now trying to play Marks at its own game. Through a refurbishment of stores costing £60m last year and a more up-market buying policy, pre-tax profits rose 18.5 per cent to £81m on turnover of £550m. Stripping out inflation and new selling space, sales rose by 5½ per cent, and more than that in the refurbished stores. Clothing has been the most successful area, with some lines seeing sales growth of over 20 per cent. And on the food side, the so-called "natural foods" are 15 per cent up on last year. But BHS is still no match for Marks here – its food turnover was £88m compared with Marks' £1.2bn, and even from a much lower base, it only rose by 9 per cent, while Marks managed 14.6 per cent.

With a younger management aided by no fewer than three management and design consultants, BHS is certainly trying to shake off the dowdy, unadventurous image that has dogged it in the past. On the financial front, it is controlling costs, improving stock turn and productivity and arranging sale and leasebacks on two old Woolworth stores so that it can spend another £60m this year on refurbishment without having to touch its £35m net cash.

Judging by the performance of the recently redesigned stores this expenditure should pay off. But looking at Marks, it is also clear that BHS still has a long way to go. At 290p, up 8p, and assuming profits for this year of £73m, the shares stand on a prospective p/e of just over 13 – a discount of nearly 20 per cent to its rival.

De Havilland wins Caribbean contract

BY CANUTE JAMES IN KINGSTON

LEEWARD ISLANDS Air Transport (Liat), an island hopping commuter based in Antigua, has concluded the purchase of five Dash 8 aircraft from De Havilland of Canada, bringing to an end a bitter row with the European Community over which aircraft it should buy.

The purchase of the 37-seat aircraft, costing C$42m ($30.6m), is being financed by soft loans from the Canadian Government through the Export Development Corporation in Ottawa. In purchasing the turboprop aircraft, Liat will have a buy-back option for the 50-seater stretched version of the Dash 8.

The Canadian offer was made while the airline and the 13 Commonwealth Caribbean governments which own it were locked in a wrangle with the EEC over the use of a $20m loan from the European Commission.

The Commission insisted that Liat purchase four of the new ATR 42s, built by Aérospatiale of France, while Liat said the Avro 748, built by British Aerospace, would be more suitable as it had several ageing Avros in its fleet.

In seeking alternative financing to purchase the British aircraft, Liat obtained a $9m loan from Citibank.

The British Government has provided another $10m for Liat to complete the purchase of the four British Avros.

The purchase of the Canadian aircraft has brought the simmering row between Liat and the EEC to an end.

"The fleet will be streamlined to comprise the four Avros, the five dash 8s and two Twin Otters." All the others would be disposed of according to an official of one of the Caribbean governments which own the airline.

In addition to five aged Avros, Liat's fleet has been comprised of a pot-pourri of Britten Norman Islanders and Trilanders, Twin Otters, Cessnas and Brazilian Bandeirantes.

The airline serves 16 islands in the eastern Caribbean, but is facing growing competition from commuter airlines based in Puerto Rico.

Nuremberg peace rally puts star wars on trial

Continued from Page 1

past often seemed curiously remote.

True, Herr Willy Brandt, the SPD chairman, Nobel peace prize winner and foe of the Nazis, dwelt heavily on the responsibility Germany still bore for what happened between 1933 and 1945.

National socialism, he pointed out, was the largest mass movement ever to emerge in the country. "Terrible things were done not in the name of Germans, but by Germans."

Yet the "discussion on peace," as the gathering was called, revealed nothing so much as the contemporary abyss which separates the SPD from the Chancellor and his ruling centre-right coalition – not just over the handling of Bitburg but over defence strategy in general.

Yesterday in Nuremberg, Washington, if unnamed, was the defendant; not of course for the events of two generations ago but for the threat its Euromissiles and dreams of SDI are held to constitute for the future.

"Let no heaven be the antechamber of hell" declared Herr Gerhard Schill, the Mayor of Dresden. He was not referring to the Allied bombs from sky which annihilated his city on February 13 and 14 1945, but to the risk of nuclear war should the Americans develop their space-based weapons system.

Other speakers from the Soviet Union, Poland and Czechoslovakia as well as East Germany kept up the pressure. "Those who try to win military superiority by aiming for space will experience a fiasco," warned the deputy mayor of Volgograd, formerly Stalingrad, where one of the bloodiest and most decisive battles of the war took place.

Such views of course were to be predicted; but even from West German speakers not a word was to be heard in support of Washington's counter-arguments, which the Bonn Government broadly supports.

Instead the SPD proclaimed its own "Nuremberg manifesto"; underlining the party's commitment to Ostpolitik, castigating those voices on the German right which have talked loosely about changes in the frontiers of post-war Eastern Europe, and not disguising hostilities to the very principles of SDI.

"We expect," Herr Brandt declared, "that negotiations will proceed for space weapons to be dropped."

British money supply soars above target

Continued from Page 1

per cent target range set for the current year.

UK authorities' anxieties about the inflationary danger of a credit boom were underlined yesterday by separate figures showing that consumer credit reached a record in the first three months of the year.

Advances rose to £3.15bn against £2.94bn in the final quarter of last year. The total of loans outstanding rose to £17.5bn at the end of March, which was 18 per cent more than a year earlier.

Just as higher bank lending has been channelled into investment, so increased consumer credit has helped to maintain the momentum of consumer spending. Revised retail sales figures for March also out yesterday showed a 1½ per cent bounce back from the slightly depressed volume of sales in February.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	C	18	61	Malaga	S	19	66	Salzburg	T	19	66
Akrotiri	C	23	73	Faro	S	18	64	Malta	S	20	68	Seoul	C	18	64
Algiers	C	11	63	Florence	F	14	57	Manila	C	28	82	Singapore	S	32	90
Amsterdam	S	18	64	Frankfurt	F	23	72	Miami	C	26	79	Stockholm	S	15	59
Athens	S	22	72	Funchal	F	18	64	Milan	R	11	52	Strasbourg	F	20	68
Bahrain	S	30	86	Geneva	C	11	52	Moscow	C	13	55	Sydney	F	20	68
Bangkok	S	37	99	Gibraltar	S	16	61	Munich	F	18	64	Taipei	C	26	79
Barcelona	F	11	52	Guernsey	S	12	54	Nairobi	—	—	—	Tangier	—	—	—
Beirut	C	23	13	Helsinki	S	14	57	Naples	F	18	61	Tehran	—	—	—
Belgrade	F	23	73	H. Kong	F	30	86	New Delhi	S	39	102	Tel Aviv	C	21	81
Berlin	S	23	17	Innsbruck	C	19	66	New York	S	23	73	Tenerife	—	—	—
Biarritz	R	6	48	Inverness	S	13	55	Nice	C	13	55	Tokyo	[illegible]	14	57
Blackpool	S	11	52	Istanbul	S	15	59	Oporto	S	14	57	Toronto	F	15	59
Bordeaux	C	11	52	Jersey	S	12	54	Oslo	S	18	61	Tunis	F	26	63
Brussels	R	15	55	Jo'burg	S	23	13	Paris	S	18	64	Valencia	F	19	66
Budapest	C	22	1?	Las Palmas	C	20	68	Prague	F	18	64	Venice	R	12	54
B. Aires	F	20	68	[illegible]	S	21	70	Reykjavik	R	5	41	Vienna	C	19	66
Cairo	F	35	85	Lisbon	F	14	57	Rio de J'o	C	27	81	Warsaw	F	22	72
Cape Town	F	20	68	Locarno	R	11	52	Rome	F	17	63	Zurich	C	14	57
Caracas	T	28	82	London	C	15	59								
Casablanca	—	—	—	Los Angeles	C	21	70								
Copenhagen	S	18	61	Luxembourg	C	17	63								
Corfu	F	20	68	Madrid	C	12	54								
Dublin	C	12	54	Majorca	S	16	61								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

U.S. warns on missile

Continued from Page 1

"Rail-mobile deployment could follow by one to two years," the report said.

Soviet missiles are designated by the West according to the sequence in which they are discovered, with the "SS" denoting a surface to surface weapon and the "X" standing for experimental.

Mr Reagan's Strasbourg speech is intended as an historic attempt by the president to define the whole framework of U.S.-Soviet relations in the late 20th century, Mr McFarlane told reporters yesterday.

The speech would test the intentions of the Soviet leader, Mr Mikhail Gorbachev, to see if he will agree to a new superpower relationship based on continuing strong deterrents, accompanied by reduced tension and negotiated solutions to problems, according to U.S. officials.

Mr Reagan will stress that the U.S. is not seeking strategic superiority, a stepped up arms race or the detachment of the East European countries from Soviet control, Mr McFarlane said. Other U.S. officials, however, have said that he will make it clear that a united and free Europe should ultimately stretch from Lisbon to Moscow.

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SECTION II – COMPANIES & CAPITAL MARKETS

FINANCIAL TIMES

Wednesday May 8 1985

Renault cost-cutting axe falls on ceramics research

BY PAUL BETTS IN PARIS

RENAULT, the financially troubled French state-owned car group, has decided to abandon a venture in high-performance ceramics for car engines in south-west France.

The move reflects efforts by M Georges Besse, Renault's new chairman, to cut costs at a time when the car group has just reported record losses of FFr 12.55bn ($1.28bn) for 1984.

The decision to abandon the ceramics venture is also significant because it marks a change in Renault's earlier strategy of seeking to build up inside the group major production of new high-technology products and to form partnerships with other companies to secure the necessary knowhow in these areas.

However, M Besse now appears intent on refocusing Renault's activities on its traditional car assembly operations. Apart from the ceramics venture at Tarbes, another venture with the Stanley company of Japan to develop liquid crystals for dashboards in Savoy has been suspended for the time being.

Renault decided to acquire the Tarbes ceramics facility last year from the nationalised French CGE electronics group. This operation is now expected to be taken over by Rhône Poulenc, the nationalised chemicals company. The French Government is understood to have pressed the chemicals group to take over from Renault to help save jobs.

Renault had also considered setting up a joint venture in high-performance ceramics with Norton of the U.S. This joint venture, called Ceratech, was part of Renault's earlier plans to expand its high-tech activities in the ceramics sector.

Strong profits gain continues at Bayer

BY JOHN DAVIES IN FRANKFURT

BAYER, the West German chemical and pharmaceutical concern, has substantially increased its profits in the first quarter of this year in addition to the sharp gains made in the last two years.

The group's worldwide pre-tax profit reached DM 820m ($262m) in the three months to March 31, up 28.9 per cent on the same period last year. Sales revenue was 11.1 per cent ahead at DM 12.04bn.

The Leverküsen-based parent company showed a 23.4 per cent rise in pre-tax profit to DM 395m, on sales revenue 6.9 per cent ahead at DM 4.85bn.

Since the severe setback in the chemical industry in 1982, Bayer has has more than doubled its group worldwide pre-tax earnings to DM 2.16bn in 1983 and achieved a further 34.1 per cent rise last year to DM 2.9bn.

Like Hoechst and BASF, the other big chemical companies, Bayer has benefited from economic recovery and buoyant export earnings aided by the high U.S. dollar. But it has also carried out major restructuring in recent years to overcome problem areas.

Herr Hermann Josef Strenger, the chief executive, said, however, that Bayer must continue to improve its profitability, as the earnings yield in relation to sales at 6.7 per cent was still less than in the early 1970s. The earnings yield of the big German chemical groups was less than achieved by counterparts in the U.S., Switzerland and the UK, he said.

Herr Strenger cautioned against excessive optimism in view of uncertainties about the U.S. economy and currency exchange rates, but he was confident that this year would prove to be as good as last year.

All three major West German chemical companies increased their dividend on last year's earnings for the second year in succession. All remained in step as their dividends rose to DM 9 per share from DM 7 the previous year.

	SALES 1984 %	SALES 1975 %
North America	24	12
West Germany	21	32
Other EEC	21	23
Other Europe	12	14
Asia	9	4
Latin America	8	8
Middle East	3	3
Africa	2	3

Hoechst last week reported a strong start to this year with a 29.2 per cent rise in group pre-tax profit to DM 840m on sales 8.7 per cent ahead at DM 11.04bn. BASF is expected to disclose its first quarter results later this week.

Herr Strenger said that the only pressing problem area he could see at Bayer now was its Metzeler rubber and plastic products subsidiaries, which made total losses of DM 53m last year.

He said that Bayer had taken steps to deal with the problem of Schelde Chemie, taking over the stake of Ciba-Geigy of Switzerland, its former equal partner, on undisclosed terms. Schelde Chemie suffered a major setback through its failure to bring on stream a big anthraquinone plant to produce materials for use in dyestuffs.

Up to the end of this year, Bayer would suffer a burden of nearly DM 600m as its share of Schelde Chemie's losses, Herr Strenger said. Further small losses were expected in 1986 and 1987, but investment carried out during those years would produce profits for Schelde Chemie from then on, he said.

EC Erdölchemie, the petrochemical products company in which Bayer and the BP group of the UK each have a 50 per cent interest, made profit of DM 137m last year. However, Herr Strenger warned that the European petrochemical industry had hard years ahead of it with Middle East products likely to be imported in greater volume.

Herr Strenger said that Bayer's U.S. subsidiaries had performed well, partly because of their emphasis on special products rather than bulk commodity chemicals. With the high U.S. dollar boosting results in terms of D-Marks, Bayer's North American sales revenue of DM 10.2bn exceeded its West German sales for the first time last year.

Bayer's operations in Brazil, Mexico and Argentina also made profits last year, although the group was working at the moment to overcome worries which had arisen in Argentina, he said.

Herr Strenger said that Bayer's research spending of DM 1.98bn last year exceeded its investment spending (DM 1.84bn) for the first time, while 11 years ago Bayer spent only half as much on research as on investment. The change resulted from Bayer's strategy of concentrating more on highly developed special products, such as pharmaceuticals and plant protection materials.

As part of this trend, Bayer planned to set up a new division for "special areas and new products" from July to market innovative products and processes which did not fit easily into Bayer's other divisions.

Deposits of troubled Canadian bank fall

By Bernard Simon in Toronto

CANADIAN Commercial Bank, the Edmonton-based institution hailed out by the Canadian Government and the country's six largest banks at the end of March, has lost almost a third of its deposits in the past six weeks, Mr Gerald McLaughlan, the bank's president, told a parliamentary committee in Ottawa.

The Bank of Canada confirmed recently that it had provided large amounts of liquidity to CCB as a further measure to improve its chances of survival. At the time of the bailout, Mr Gerald Bouey, the governor of the central bank, stressed that the authorities would come to the aid of any Canadian bank in difficulty to maintain the stability of the country's banking system.

Criticism of the Government's efforts to prop up CCB, the 10th largest of Canada's 14 domestic banks, has grown recently. Mr Richard Thomson, chairman of Toronto-Dominion Bank, one of the six institutions that contributed to the C$255m ($187.5m) rescue package, said last week that CCB should have been allowed to fold.

The last Canadian bank failure occurred 52 years ago, but there is concern that the CCB rescue and other measures recently to maintain public confidence in the financial system will set awkward precedents. The Government last week agreed to pay out depositors in a bankrupt Saskatchewan trust company, even though their deposits were higher than the maximum amount insured by the Canada Insurance Deposit Corporation.

Mr Thomson said that the collapse of CCB would not have damaged the stability of Canada's banking system. CCB's assets totalled only C$3.1bn at the end of January. Its ownership is widely spread among pension funds

Salomon forecasts continued growth

BY DAVID MARSH IN PARIS

SALOMON, the French company which is the world's leader in ski fittings, boosted net consolidated group profits to an estimated FFr 185m ($18.8m) in the year ended March 30 from FFr 100.7m in 1983-84.

Sales rose to FFr 1.65bn from FFr 1.11bn in 1983-84.

The company, which is just about to launch a rights issue on the Lyons stock market to raise FFr 256m, said it aimed to boost group turnover a further 33 per cent in 1985-86, with profits expected to increase by 25 per cent.

Salomon, which has an estimated 47 per cent of the world market in ski fittings, has been one of France's leading growth stocks in the last few years thanks to quadrupled sales since 1980 and net profits averaging 10 per cent of turnover. With 85 per cent of its sales in foreign currency – 37 per cent in dollars – the group has benefited greatly from currency changes. Only 11 per cent of sales are in France.

The company is issuing 160,000 new shares of a nominal FFr 25 at a price of FFr 1,600 on the basis of one for each seven existing. The offer will open on May 13. It is also making a one-for-five scrip issue in September. The two operations will raise the company's nominal capital from FFr 28m to FFr 38.4m. About 30 per cent of capital is currently held by the public.

M Georges Salomon, chairman, said the company – which launched itself into the golf market at the end of last year by purchasing the U.S. club maker Taylor-Made – had not ruled out further diversification.

Agfa-Gevaert develops brighter financial picture

BY PAUL CHEESERIGHT IN BRUSSELS

AGFA-Gevaert, the Belgo-German film, photographic equipment and office systems group, is maintaining the rapid growth pattern established last year.

First-quarter 1985 sales were on the same trend as last year, said Mr André Leysen, the group president.

Last year, Agfa-Gevaert achieved a 188 per cent rise in pre-tax profits to BFr 12.7bn ($198m) on turnover 19 per cent higher than 1983 at BFr 142.5bn.

Continued growth suggests that Agfa-Gevaert is out of the woods. Mr Leysen thinks so: not only are profits running at the same relative level as those of Agfa-Gevaert's two main competitors, Kodak of the U.S. and Fuji of Japan, but, he added, Agfa-Gevaert is "the jewel in the crown of Bayer."

What has happened is a substantial restructuring under the wing of Bayer, the German pharmaceuticals group, of which Agfa-Gevaert is now a wholly owned subsidiary.

The problems at Agfa-Gevaert were always less to do with technical products used in offices and hospitals than with the consumer sector of films and cameras. Agfa-Gevaert sought to build up the technical side, with the main production centre near Antwerp, while pruning and reorienting the consumer side in Germany.

The group has withdrawn from camera production. At its worst the German side of the business lost DM 280m ($87m). That was in 1983 when the cost of plant closures was heaviest. That loss was whittled back last year to a point near break-even, and there could be profits this year.

But over the same period Agfa-Gevaert brought in a new series of film products which were compatible for processing with those of Kodak and Fuji. Agfa-Gevaert had been losing market share because it lost the battle of standardisation.

"The problem is marketing. In some markets our share was down so much that we have had to rebuild. That's the task of the next few years, and it's a long haul," said Mr Leysen, "expecially since the market is static – partly a result of the recession – so that Agfa-Gevaert's expansion to regain its traditional place in the market is a competitor's retraction."

Around two thirds of Agfa-Gevaert's turnover will continue to come from technical products, which is a faster growth area than the consumer sector. And here the crucial importance of the U.S. market for Agfa-Gevaert becomes clearer.

This is not only a question of the strength of the dollar – which, when translated into Belgian francs, was a considerable factor in boosting the 1984 profits – but of investment. Agfa-Gevaert has sought to strengthen its position in the area where photography ties in with electronics.

Three years ago it took a majority holding in Compugraphic, whose sales started to move upwards in 1982 after a couple of flat years and then climbed sharply to reach $391m in 1984. A 1981 loss of $15.2m has been turned round to a 1984 pre-tax profit of $34.3m.

In a further development to strengthen both its technological base and its U.S. position, Agfa-Gevaert last year purchased an 8 per cent stake in Matrix, a fast-growing New York maker of medical diagnostic equipment.

A strong presence in the U.S. is needed by Agfa-Gevaert to offset the lack of a major home market. Mr Leysen noted that 83 per cent of the group's production had to be exported, while for Kodak the proportion is 40 per cent and for Fuji only 35 per cent. In the case of the Belgian plants, 97 per cent of production is sold outside the country.

Europe is Agfa-Gevaert's natural base but, complained Mr Leysen, there simply is no common market. "You can't drive a truck from here," he said at his Antwerp office, "for more than a hour and a half without being detained for hours at a frontier."

Paribas edges ahead despite Becker loss

BY DAVID HOUSEGO IN PARIS

PARIBAS, the French international investment bank, last year registered a modest increase in net consolidated profits after suffering substantial losses from its former Becker Paribas subsidiary.

The bank reported an 11.9 per cent increase in profits to FFr 1.72bn ($180m) after accounting for losses of FFr 683m by Becker, which was ceded to Merrill Lynch in September 1984. This compares with losses of FFr 85m incurred by Paribas as a result of Becker's trading activities in 1983.

Last year's rise in profits was sharply down on the 40 per cent increase announced by the group for 1983. The 1984 profits include a 9.8 per cent rise in provisions to FFr 2.7bn.

The total balance sheet rose last year by 17.8 per cent to FFr 540m. Lending increased by 9.7 per cent to FFr 304bn, while deposits rose by 17.4 per cent to FFr 145bn.

The results make allowances for changes in the accounting system to reflect the fact that Paribas regained a majority stake in Paribas Suisse, and the hiving off of Becker.

Aga and Uddeholm ask for share suspension

BY DAVID BROWN IN STOCKHOLM

AGA, the Swedish industrial gas group, and Uddeholm, the steel and hydro power group, have requested a suspension of trading in their shares on the London and Stockholm stock exchanges until Friday.

Aga now directly or indirectly controls more than 50 per cent of the votes in Uddeholm, following its purchase late last year of majority control in Tresor, a Swedish investment company whose main asset is a holding of more than 45 per cent in Uddeholm. An announcement will be made on Friday.

● Mr Curt Nicolin, chairman of Asea and Swedish Match and closely associated with Sweden's Wallenberg industrial empire, is to leave the board of Volvo – Scandinavia's largest industrial group – later this month.

He will be replaced by Mr Bengt Haak, chairman of Skanska, the country's biggest construction group and one of its richest investment companies.

Mr Nicolin says his pressing workload elsewhere motivated his decision. Others point to the agreement last year which ended a protracted power struggle between Volvo and the Wallenberg investment companies. The two sides agreed to sell their interests in each other's companies.

INTERNATIONAL BONDS

Midland Bank launches $500m floater

BY MAGGIE URRY IN LONDON

MIDLAND BANK was yesterday's borrower in the Eurodollar perpetual floating-rate note market, bringing a $500m issue. Coming in the slipstream of Lloyds Bank's successful issue, Midland was able to pare the front-end fees from Lloyds' 85 basis points to 65 basis points.

Midland's deal – led by Samuel Montagu – will pay the same ¼ per cent margin over London interbank offered rate (Libor) as Lloyds' does and will also rank as primary capital. The bonds briefly traded above par and settled back to a level of around 99.97. Lloyds' issue also fell back a fraction to around 100.03. The other perpetual floater, from Standard Chartered, which came on tighter terms, traded lower, bid at 99.80, though this is still well inside the fees.

A floater for Credito Italiano, the major Italian bank, took a more conventional route. The $100m issue, led by Chase Manhattan, has a seven-year life and pays interest at ⅛ per cent above six-month Libor with front-end fees of 30 basis points. It traded at a discount of around 24 basis points.

Good name

Syndicate managers welcomed an issue in the fixed-rate sector from Sanwa International Finance, the Hong Kong subsidiary of Sanwa Bank. Led by Sanwa International, the $100m seven-year issue was seen as correctly priced with an 11½ per cent coupon and par issue price. The bank is considered a good name, and the issue was trading at a discount of around 1⅝ point to issue price compared with commissions of 1⅞ per cent.

Fixed-rate Eurodollar bonds continued firm yesterday, buoyed by the better New York bond market. Prices were around ⅛ point higher, though retail demand is small.

The issue window in the Euro-Australian dollar bond market was wide enough open yesterday for two deals to be launched. Westpac Banking is raising A$40m with a three-year 13¼ per cent issue led by Orion Royal Bank, with Westpac as co-lead. Avco Financial Services, the Australian subsidiary of the U.S. group, launched a A$35m issue of five-year bonds with a 14 per cent coupon and 100¼ issue price. This was led by Salomon Brothers. Both issues were trading around their total fees. Recent deals, such as Woolworths' A$30m issue, were moving up yesterday.

Philips stirred an already strong European currency unit bond market by launching a Ecu 75m through its Luxembourg subsidiary. The eight-year bonds pay a 9 per cent coupon – the lowest yet seen for a fixed-rate Ecu bond issue. Issue price is par, and the deal was led by Banque Internationale à Luxembourg. The name is very popular among retail investors and a rare one in the fixed-rate market. The issue traded at around 98¾ compared with fees of 1⅞ per cent.

Dual currency

In the Swiss franc foreign bond market Ferrovie dello Stato, the Italian railway, launched a two-tranche issue through Banque Gutzwiller. Both portions will have an eight-year-life, and total issue size is a maximum of SwFr 100m. The first part will have a fixed-rate yield, indicated at 5⅞ per cent, while the second tranche will have a floating interest rate at ⅛ per cent over six-month Libor.

Soditic broke new ground, launching a SwFr 200m 12-year issue for American Medical International, which is both dual currency, repaying in dollars, and has equity warrants. The yield is indicated at 5 per cent and exercise premium at 25 per cent.

Banca del Gottardo was yesterday the first bank majority-owned by a Japanese bank to lead a public bond issue on the Swiss franc foreign bond market. The SwFr 50m issue for Itoman, a Japanese textile company, has an eight-year maturity and the indicated yield is 5⅞ per cent.

Secondary market

SBC priced the SwFr 100m 10-year deal for Kyushu Electric Power at 99¾ with a 5¾ per cent coupon, while UBS has cut the yield for Toshiba Engineering and Construction's SwFr 70m equity warranty issue from the indicated 3⅛ per cent to 3⅞ per cent.

Secondary market trading was mixed yesterday, with business quiet. Japan Development Bank's 10-year 5¾ per cent issue started trading yesterday, closing at 99 compared with the 99¾ issue price.

Trading in the D-Mark foreign bond market perked up yesterday with prices up ⅛ to ¼ point. No new issues were launched, though many are rumoured.

The European Investment Bank launched a 15-year issue on the Dutch domestic market raising Fl 200m. Lead managers are AmRo Bank and ABN which set the coupon at 8 per cent.

Enterprise Oil issue stepped up to £250m

BY PETER MONTAGNON IN LONDON

THE Euronote facility being arranged by Citicorp for Britain's Enterprise Oil is to be increased to £250m from £150m because of heavy oversubscription.

Bankers say the success of the deal shows that demand remains strong for such facilities when they carry generous fees, despite market fears of a central bank clampdown on Euronote business.

The 6½-year deal carries a facility fee of 15 basis points and has attracted the participation of all four main UK clearing banks as well as Bank of Scotland and Royal Bank of Scotland.

Also announced yesterday was a doubling to $200m in the one-year oil financing facility being arranged by National Bank of Kuwait for Tupras, the Turkish oil refiner.

The deal, which bears a margin of ⅝ per cent, attracted commitments in syndication from 39 banks totalling $270m, National Bank of Kuwait said.

INTERNATIONAL COMPANIES

Caterpillar paves way for return to profitability

BY PAUL BETTS IN PARIS

CATERPILLAR Tractor, the world's leading construction equipment manufacturer, is back on the attack after three years of huge losses.

"Wa fully intend to remain the world leader in our industry, and I am more confident now than ever before that we can achieve this," Mr Donald Fites, Caterpillar's new executive vice-president for marketing and sales, said yesterday.

Mr Fites gave a detailed account of the profound change that has taken place in Caterpillar's management strategy and business outlook. The U.S. company is now moving ahead with a major shift in production from North America to European plants; it is losing some of its old imperialistic habits by acquiring for the first time equipment from other manufacturers which it sells under its own brand name to extend its overall product range; *it is adopting a far more aggressive approach to Japanese competition than in the past*; it plans to rely more heavily on outside suppliers for components than it used to only a few years ago; and it is continuing to reduce costs in a significant way in an effort to return the company to profit as early as this year.

Mr Fites outlined a number of new recent actions by Cat to secure its position in the fiercely competitive construction equipment industry, of which the most significant is probably the company's move into the backhoe loader market.

Until now, Cat has specialised in supplying giant earthmoving machines for big construction projects throughout the world. Part of its current difficulties arise from the fact that there are very few mega-projects underway or in prospect these days and so demand for its machines is very depressed.

Meanwhile, demand for smaller machines, such as backhoe loaders, is fairly stable as people continue to build houses, repair roads and carry out other *relatively minor civil engineering* works in most countries.

However, in this sector too, competition is tough, and Cat will not have an easy time breaking in.

J. I. Case of the U.S. is the world leader and J. C. Bamford Excavators of Britain is a strong second. At the outset, Cat will sell backhoe *loaders only in its U.S. home market*. It hopes to benefit from low production costs and favourable exchange rates by having the units made at its Leicester lift truck plant in Britain.

Other moves by the company include shifting considerable production of its main equipment lines from high-cost U.S. plants to lower-cost plants in Europe and a more aggressive stance towards Japanese competitors. Cat has closed five plants in the U.S. in the past three years and consolidated activity at others.

Under the new plan, the Glasgow, Scotland, plant will see its bulldozer output raised to displace U.S. production, and it will begin making *transmissions* for machines at the company's three construction equipment plants in Europe. The others are at Gosselies in Belgium and Grenoble in France.

The factory at Gosselies, which now makes hydraulic excavators and components, will get an investment of BFr 4bn-BFr 4.5bn ($62.5m-$70m) mainly to expand output of *engines for machines made* in Europe.

Cat first signalled its more aggressive approach to Japanese competitors by joining other European makers of excavators last February in an anti-dumping suit against the Japanese. Mr Fites said he was now worried that Japanese producers would turn their attention to the North American market. If they tried to attack it in an unfair way, Cat would have "no qualms" about joining a similar legal challenge.

Although Caterpillar was one of the first U.S. manufacturers to identify the coming Japanese challenge in the early 1970s, it was slow to take the kind of cost-cutting steps needed to remain competitive.

Mr Fites, part of a new management team to take over the running of the company this year, acknowledged that Cat could have responded more quickly.

Cat earned $579m on sales of $9.2bn in 1981, but it then went on to lose $180m in 1982, $345m in 1983 and $428m last year. Although it had a further loss in the first quarter of this year, the company is aiming to return to profit this year.

Mr Fites said the company had achieved its target of reducing costs by 22 per cent by 1986, a year in advance, and aimed to cut them by a further 5 per cent in each of the next three years.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 7.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅛ 88	150	103¾	104¼	+0⅛	+0⅝	11.16
Austria Rep 13⅛ 92	100	108⅜	108⅞	+0¼	+1	11.45
Bank Of Tokyo 12⅝ 92	100	†102¼	102¾	+0¼	+1⅛	12.03
Bank of Tokyo 13⅝ 91	100	107⅝	108⅛	+0¼	+1⅛	11.73
BP Capital 11⅛ 92	150	98	98½	+0⅛	+0⅞	11.49
Caisse Nat Tele 13¾ 91	100	108⅝	109⅛	+0⅛	+1⅛	11.82
Canada 11½ 90	500	102⅜	102⅞	+0⅜	+1⅛	10.75
Canadian Pac 12½ 99	75	103¼	103¾	+0⅛	+0¾	11.85
CBS Inc 11⅜ 92	100	98½	99	+0⅜	+1	11.58
Chevron U.S.A. 12⅞ 89	600	102¾	103¼	+0⅜	+1	11.30
Coca Cola 11¾ 91	100	103⅜	103⅞	0	+0⅝	10.90
Denmark Kingdom 11⅝ 92	100	99¾	100¼	+0⅜	+1	11.70
Denmark Kingdom 13¼ 91	100	105¼	105¾	+0½	+1¼	11.97
Denmark 13⅞ 88 XW	100	106⅞	107⅜	+0⅛	+1¼	11.16
Denmark Kingdom 14 91	100	108⅞	109⅜	+0¼	+1	11.87
E.E.C. 11⅞ 90	100	99½	100	+0¼	+0⅞	[illegible]
E.I.B. 11 98	100	†97⅜	97⅞	−2⅝	−1⅝	11.40
E.I.B. 13 98	200	105⅝	106⅛	+0¼	+1¼	12.00
Ex-Im Bk Japan 13¼ 91	75	108½	109	0	+1⅛	11.10
Export Dev Corp 12 89	100	103	103½	−0⅛	+0½	11.00
Exxon Capital Corp 0 2004	1800	12	12½	0	+0¼	11.35
Ford Motor Cred 11⅝ 95	100	96¾	97¼	+0⅜	+1	12.15
IBM Credit 10⅞ 2000	300	98	98½	+0⅜	+0½	10.89
IBM Credit Corp 11¾ 87	200	102⅜	102⅞	+0⅛	+0⅜	10.30
Indust Bk Japan 12⅞ 89	100	105¼	105¾	−0⅛	+0⅞	11.10
Indust Bk Japan 13⅞ 91	125	109½	110	+0¼	+1¼	11.56
Int-Am Dev Bk 12¾ 91	150	104¼	104¾	+0¼	+0¾	11.[illegible]
Japan Air Lines 13⅜ 94	100	111	111½	−0⅛	+0¾	11.32
Kellogg Company 10¾ 90	100	99	99½	+0⅛	+0½	11.05
Kellogg Company 11¼ 92	100	101⅞	102⅜	+0¼	+0⅞	10.76
L.T.C.B. 12⅞ 91	100	104½	105	0	+0⅞	11.75
Macy Cred Corp 11¾ 95	100	99⅞	100⅜	+0½	+1¼	11.71
Mellon Bank 13 87	100	104⅛	104⅝	0	+0¾	10.70
Merrill Lynch 12¾ 89	100	103⅝	104⅛	+0⅛	+0⅞	11.53
Minnesota 11½ 87	100	101¾	102¼	−0⅜	0	10.46
Mitsubishi Corp 13¼ 89	100	107⅞	108⅜	+0⅛	+0⅞	10.73
Montagu 13¾ 91	100	108⅝	109⅛	+0⅛	+0½	12.06
Morgan Guaranty 12⅜ 90	150	102⅞	103⅜	+0⅜	+0⅞	11.30
Nippon Cred Bk 13⅞ 89	100	107¼	107¾	+0⅛	+0⅞	11.49
Nth America 12⅝ 91	100	103¾	104¼	+0½	+0⅞	11.81
Penney J.C. 12¾ 91	100	103⅞	104⅜	+0¼	+0¾	11.76
Pru Realty secs 12⅛ 95	546	101⅞	102⅜	+0⅜	+1	11.72
Quebec Hydro 11⅛ 92	100	100⅛	100⅝	−0⅛	+2⅛	11.38
Ralston Purina 12¾ 89	100	104¾	105¼	+0¼	+0⅞	11.21
Royal Bk Can 12¾ 92 XW	100	101¾	102½	−0½	+0⅛	12.24
Saskatchewan 10 3/4 92	100	96½	97	+0¼	+1	11.44
Saskatchewan 11 7/8 89	100	102⅜	102⅞	+0⅜	+1	11.06
S.N.C.F. 12⅝ 92 XW	100	101½	101⅞	0	+0¾	12.05
Statoil 13½ 89	100	107¾	108¼	+0⅛	+0¾	10.98
S Wales Trsy 11¾ 00	150	101¼	101¾	0	+0⅝	11.34
Swed Exp Cred 12¾ 89XW	100	104⅜	104⅞	+0¼	+1⅛	11.30
Sweden Kingdom 11½ 89	200	101	101½	+0¼	+1	11.10
Sweden Kingdom 11¾ 94	100	100⅛	100⅝	+0¼	+1⅜	11.66
Texaco Capital 12⅛ 87	300	103½	104	+0¼	+0⅝	10.[illegible]
Texaco Capital 13½ 89	200	106⅜	106⅞	+0¼	+0⅜	11.40
Toronto Dom Bk 12½ 00	100	101⅝	102⅛	−0¼	−0½	11.63
Walt Disney Pro 12½ 87	150	102½	103	0	+0½	10.50
Weyerhaeuser 12¼ 87	150	102⅜	102⅞	0	+0½	10.80
World Bank 12¼ 94	150	103	103½	+0¼	+1	11.64
World Bank 12⅞ 94	200	105	105½	+0⅛	+1	11.71

Average price change On day +0⅛ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	101¾	102⅛	0	+0⅛	7.66
Austria Republic 7⅝ 94	200	100¾	101½	−0⅛	0	7.44
Baxter Travenol 7¼ 94	200	100⅜	101¼	+0⅛	+0⅝	7.13
Credit National 0⅞ 94	200	102⅝	103⅜	+0⅛	+0¼	7.63
Degussa Int Fin 7½ 94	100	102⅞	103⅝	+0½	+2	6.96
E.E.C. 0 92	200	102¾	103½	+0¼	+0⅝	7.38
Escom 0 92	150	99⅝	100⅜	−0¼	−0½	7.98
Ferrovie Dello Stato 8 91	100	102½	103¼	−0⅛	+0¼	7.38
Finland Republic 7 92	200	97⅛	97⅞	+0¼	+0¼	7.45
Gould Int Fin 7⅛ 91	100	100⅞	101⅝	−0¼	+0⅝	7.38
Ireland 8⅛ 92	150	102⅛	102⅞	+0⅛	+0⅜	7.65
Japan Fin Corp 7⅝ 91	100	101⅞	102⅝	0	0	7.15
Mitsubishi Hvy 3½ 89WW	300	105	105¾	0	+0¼	2.06
Mitsubishi Hvy 3½ 89XW	300	90⅞	91⅝	−0⅛	+0¼	5.68
Mitsubishi Met 3⅛ 89WW	100	96⅝	97⅜	+0½	+0½	3.84
Mitsubishi Met 3⅛ 89XW	100	90⅞	90⅝	0	+0¼	5.68
O.K.B. 7½ 88	100	100	100¾	0	0	7.36
Pepsico O/S Fin 7¼ 94	250	101	101½	+0½	+1	7.05
Renown 3⅛ 90	00	97⅜	98⅛	−0¼	+0⅞	3.96
Reynolds O/S Fin 7⅞ 94	125	102⅞	103⅝	−0¼	+0¾	9.09
Societe Cent Nuclear 0 91	100	101⅞	102⅝	+0⅜	+0⅛	7.52
Sth Africa Rep 8½ 91	200	101⅜	102⅛	+0¼	+0½	8.13
Sth African Tran 7⅝ 92	100	96⅝	97⅛	0	+0½	8.21
World Bank 7¾ 89	100	101⅝	102¼	0	+0⅛	7.19
World Bank 8 94	200	102⅜	102⅞	−0⅜	−0⅜	7.57

Average price change On day 0 on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101½	101¾	−0¼	−0¼	6.01
Asian Dev Bank 6⅛ 95	100	†100½	101	+0⅛	−0⅝	6.03
Avon Cap Corp 5⅝ 94	138	†97¼	97⅝	−0¼	−0¼	5.73
Brit Land Comp 6½ 99	75	†103¼	103½	+0¼	0	6.14
Council of Europe 0 92	120	†101	101¼	0	+0½	5.96
Creditanstalt 5½ 94	100	†97½	97¾	0	+0½	5.80
Deutsche Bk Fin 5⅛ 95	100	†98½	98¾	−0¼	−0¼	5.80
E.I.B. 5⅝ 94	120	†100¾	101	0	0	5.76
Eurofima 5 97	100	†98	98¼	+0¼	+0¼	5.00
Eurofima 5¼ 95	100	†100	100¼	0	0	5.23
Export Dev Corp 5⅞ 92	125	†98½	98¾	+0¼	+0¼	6.43
First Boston Inc 5¾ 94	60	†101	101¼	0	0	5.96
Gen Occidentale 4½ 94	00	†101½	101¾	+1	+0¼	4.29
1 C Industries 5⅝ 98	125	†100½	100¾	+1¼	+1	5.80
Ind Fund Fin 5¾ 94	40	†100	100¼	+0⅛	+0⅛	5.73
Int-Am Dev Bk 0⅞ 94	120	†101½	101¾	+0⅜	0	5.96
New Zealand Govt 5⅝ 94	150	†100½	100¾	0	−0½	5.96
N.Zealand steel 5⅝ 96	70	†98¾	99	−0¼	−0½	5.80
Oberos Kliwk 5⅝ 95	100	†96¾	97¼	−0⅛	−0⅝	5.76
Ost Donaukraft 5⅜ 95	70	†98	98¼	+0½	+0½	5.40
Ralston Purina 5⅝ 94	125	†98¾	99	−0¼	0	5.53
Sentos Finance Ltd 0 94	130	†98¼	98½	−0½	−0½	6.23
Tokyo Elec Pwr 5½ 93	120	†97¼	98½	0	+0¼	5.60
Tokyo Metropolis 5¼ 94	80	†98½	98¾	0	−0¼	5.71
World Bk 5¾ 94	150	†98¾	100	0	−0¼	5.76

Average price change On day +0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 98	30	99⅞	97⅜	0	0	7.42
BP Overzee 7 92	17	98⅜	99⅞	0	+0⅛	7.07
Fed Natl Mort 6⅞ 92	50	97⅜	97⅞	+0⅜	+0¾	7.32
World Bank 6⅝ 90	25	97⅞	98⅜	0	+0⅛	7.08
World Bank 6⅝ 94	20	94¾	95¼	0	+0⅛	7.36

Average price change On day +0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12¼ 97 C$	125	†99⅞	100⅜	0	+0¾	12.22
British Columbia 12 90 C$	125	†101	101½	+0¼	+1	11.84
Can Nat Rail 12½ 95 C$	100	†101⅞	102⅜	+0¼	+1	12.11
Chrysler Cred 12⅝ 92C$	60	†98⅝	98⅞	+0¼	+0½	12.89
Denmark 11⅝ 91 C$	100	†97½	98	+0¼	+1	12.10
Desjardins 12½ 90 C$	50	†99¾	100¼	+0½	+0⅝	12.49
E.I.B. 12 96 C$	75	†98¾	99¼	+0⅜	+0⅞	12.17
Nippon Kokan 11⅞ 92 C$	70	†99	99½	0	0	12.04
Giro Und Bk 10½ 93 ECU	60	104⅝	105⅛	0	+0⅛	9.62
World Bk 10¼ 89 ECU	125	105⅜	105⅞	+0⅛	+0¼	8.66
World Bk 10⅝ 94 ECU	75	105½	106	0	0	9.66
Akzo 7 90 FL	150	98¼	98¾	0	+0¼	1.37
Eurofima 7½ 92 FL	50	99⅜	99⅞	−	−	7.57
Philips Lamps 7½ 90 FL	100	101	101½	−	−	7.19
Rank Xerox 8 90 FL	100	100¾	101¼	−	−	7.75
World Bank 7½ 90 FL	150	99⅜	99⅞	−	−	7.59
Charbonnages 13⅞ 85 FF	400	101⅝	102⅛	0	0	10.88
American Brands 12 95 £	40	104½	105	0	−0⅜	11.16
Amer Express 11¾ 92 £	30	101⅝	102⅛	−0⅛	−0¼	10.96
Australia Comm 11 92 £	40	97¾	98¼	−0¼	−0¼	11.42
BP Capital 10¾ 92 £	50	97	97½	0	0	11.29
E.I.B. 11⅛ 93 £	50	97½	98	0	−0¼	11.56
Inco 12⅝ 93 £	50	99½	100	+0⅛	+0¼	12.77
Mcdonalds 10⅞ 90 £	40	98⅛	98⅝	+0⅞	+0¼	11.31
Norsk Hydro 11⅝ 91 £	50	102¾	103¼	0	−0⅜	10.88
Privatbanken 11⅞ 92 £	20	98⅛	98⅝	0	+0⅛	12.23
Rank Xerox 11 92 £	40	96⅞	97⅜	−0⅛	−0⅛	11.62
Royal Trustco 11⅜ 90 £	30	99⅞	99⅜	−0⅛	0	11.60
Ster Drug Cap 10⅞ 99 £	30	98⅛	98⅝	0	−0⅛	11.31
Swed Exp Cred 11⅜ 92 £	50	98⅞	99⅜	−0⅛	−0⅛	11.55
Trusthouse Forte 11⅛ 90£	50	97½	98	−0½	−0⅛	11.74
World Bank 11¼ 95 £	100	98⅛	98⅝	+0⅛	−0⅛	11.53
E.C.S.C. 10⅞ 94LF	100	102¾	103¾	+0⅛	+0¼	9.93
Nat Lux Alum 10½ 92 LF	600	102⅞	103⅞	+0¼	+0⅛	9.81

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 98	0⅛	100⅛	100⅝	11/10	9⅝	9.60
BankAmerica O/S 5¼ 95	0⅛	100	100¼	28/6	8.81	8.80
Bank of Montreal 5 96	0⅛	100½	100¾	29/7	8¾	8.70
Bankers Trust 5 2000	0	99¾	100	11/6	8.81	8.80
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/5	9.31	9.29
Barclays O/S Inv 5 2004	0⅛	100⅜	100⅝	4/9	10¼	10.20
Belgium 5 2004	0⅛	100⅛	100⅜	11/10	8.95	8.95
B.F.C.E. 5¼ 99	0⅛	100½	100¾	13/9	10.88	10.80
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/7	9⅛	9.11
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/6	9.80	9.80
Citicorp O/S 5¼ 95 Sep	0⅛	100	100¼	19/12	11.19	11.17
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.88	9.82
Dai-Ichi Kangyo 5¼ 96	0⅛	100⅛	100⅜	13/5	10.06	10.04
Dresdner Fin 5¼ 89	0	100	100¼	25/5	9⅜	9.36
Ireland 5¼ 99	0	100¼	100½	14/9	10	9.96
Italy, Republic 5 94	0⅛	99⅞	100½	9/5	9.94	9.96
Lloyds Euro 5 2004	0⅛	99⅞	100⅛	10/10	9⅛	9.13
Midland Int Fin 5 99	0⅛	100⅜	100⅝	6/9	10.44	10.38
Nat West-Perp 5 89	0⅛	100¾	101	13/5	10⅜	10.29
Queensland Coal 5¼ 96	0¼	100⅜	100⅝	9/5	10.06	10.01
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	2/5	9¼	9.35
Societe Gen 5¼ 95	0	100⅛	100⅜	12/10	9½	9.48
Sweden Perp 5¼ 85	0¼	100¼	100½	9/7	9.44	9.40
Tokai 5¼ 99	0⅛	100⅜	100⅝	12/6	9.94	9.89
Toyo 5¼ 99	0⅛	100¼	100½	14/6	9.81	9.76

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	92⅛	93⅛	−2	−3.36
Fanuc 3¾ 98	1/84	7032.3	107⅜	108⅝	−1¼	36.74
Fujitsu 3 99	5/84	1520.9	93⅝	94⅝	−0¼	18.11
Konishiroku Photo 4 98	10/83	673	94	95	+0¼	2.34
Kumagai Gumi 3½ 2000	3/85	600	106⅛	107⅛	−0⅞	−9.25
Marui 3½ 99	7/84	1162	98½	99½	+0¾	2.22
Mitsubishi Elec 2⅞ 00	3/85	422	93¾	94¾	−0¾	−0.25
Murata 3½ 99	2/84	2351.2	110⅜	111⅜	−0⅞	18.09
Murata 3½ 2000	7/84	2398	108⅜	109⅜	−0⅜	20.88
Nippon Elec 2⅞ 2000	1/85	1285	87⅜	88⅜	−1⅜	58.82
Nippon Oil Co 3¼ 99	3/84	1052	85⅝	86⅝	−0⅛	12.94
Oki Elec Ind 3½ 99	10/84	805	86¼	87¼	−0¼	16.09
Orient Leasing 5¼ 98	6/83	2680	97⅛	98⅛	−3	−3.23
Sekisui House 3 99	6/84	612	90¼	91¼	+0½	6.00
Sony Corp 2 2000	5/85	4570	99⅛	98⅛	−	8.14
Sumitomo Corp 2⅞ 99	5/84	393	96⅞	97⅞	+2⅛	1.28
Taiyo Yuden 3¼ 2005	3/85	1078	98⅞	100⅜	−2⅝	−1.71
Takeda Riken 3⅞ 2000	10/84	7668	91	92½	−3¼	7.13
Tokyo Sanyo Elec 3½ 99	12/84	772	90¾	91¾	−0⅜	7.04
Toshiba Ceramics 3 2000	4/85	1734.2	93½	94½	−0⅛	1.16
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†105⅛	105¾	+0⅜	12.58
Nippon Shinpan Co 2 92 SF	3/84	801	†85½	85¾	−0⅜	14.77
Seibu Paper 2¼ 92 SF	4/84	677	†130	140	0	−5.00
Asics 5 92 DM	12/83	520	102⅛	103⅛	−0¼	24.70
Sum Realty 6¼ 92 DM	2/83	365	207¼	208¼	+3¾	5.90

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

International operations cushion French car components makers

Paul Betts looks at the effects of a slackening in the "buy French" approach against the background of the depression in the French car market, and the financial problems of Renault and Peugeot

ALL FOREIGN subsidiaries of Valeo, the French car components manufacturer, operated profitably last year and are continuing to operate profitably this year, says a company executive. "All our losses I'm afraid to say are coming from France," he adds despondently. Reported group losses of FFr 147m ($15.6bn) in 1984, after profits of FFr 87m the year before.

Valeo, like the other domestic car components makers and suppliers, has been badly shaken by the slump in the French car market and the financial troubles during the past few years of the two large French car groups, Renault and Peugeot. In the past, the strength and high volume growth policies of tha two domestic car groups coupled with a distinctly "buy French" approach helped to boost the components industry. But the reversal in the fortunes of Renault and Peugeot has hit the sector with a vengeance just as the decline of the British car industry after 1972 struck many UK components suppliers.

In Britain, however, a number of companies, saw early on the dangers of too great a reliance on a domestic market. Lucas Industries, for example, invested heavily in France between 1960 and 1968, well before the crash of the 'seventies. In France, Valeo also saw the warning signals a long tima ahead of the current crisis.

Valeo is now the second largest producer of car radiators after General Motors of the U.S. The company has plants in Italy, the U.S., Spain, Argentina and Brazil. Of its total group sales of FFr 11bn last year, about 45 per cent were overseas.

But the group is now struggling to restructure its allernator and starting motors business in France, after taking over from 1970 onwards, with strong encouragement from the authorities, a series of domestic concerns inclnding SEV-Marchal, Paris-Rhone, Motorola-Alternatures — and last year Ducellier, which had been jointly owned by Valeo and Lucas since 1979.

Valeo acquired these companies to give itself the economies of scale to compete effectively in the alternator and starting motors business. Bnt the restructuring has proved more costly and complex than Valeo expected, and is now the main source of Valeo's troubles.

The problems of Ducellier eloquently reflect the dangers of a company being too dependent on a domestic market. Ducellier currently relies on the French market for at least 80 per cent of its total sales and has thus been particularly hadly hit by the slump. Moreover, the joint ownership under Lucas and Valeo proved extremely unhappy and costly for Ducellier. Originally, Lucas had sought to huy control of Ducellier in 1978, to expand its presence in the French market.

But Valeo and the French Government were worried by the Lucas move and sought to block the takeover. A compromise was finally found which gave Lucas and Valeo a 50 per cent stake each in Ducellier.

This, unfortunately daprived Ducelliero of clear management leadership at a time when the domestic car market started to decline.

Valeo has now negotiated a FFr 250m injection of fresh funds from financial institutions and shareholders to belp it restructure its alternator and starting motors sector. It is also seeking to reduce 2,300 jobs at its Ducellier and Paris-Rhone subsidiaries. Its eim is to try to make this business competitive in France by improving prodnctivity. M André Bolsson, chairman of Valeo, recently pointed ont that in West Germany ona worker leads to prodnction of 15 alternators a day, in Japan his counterpart 19, and in France only 10.

Both Renault and Pengeot, which purchase about 50 per cent of the cost of a car from outside suppliers, are now warning that there will inevitably have to be a further sizeable cnt in the number of French components manufacturers and suppliers in coming years.

The Peugeot group (embracing the Peugeot, Talbot and Citroen marques) buys about FFr 50bn a year from outslda suppliers. Of these, about 40 per cent involve concerns supplying less than FFr 1m of goods. Renault, the French car division of which alone buys abont FFr 25bn in components a year, has 1,300 regular suppliers. But the 50 biggesl suppliers account for as much as 70 per cent of Renault's purchasing budget. Moreover, Renault spend only 10 per cent of its total purchasing budget abroad.

Renault has been negotiating with the Frenco car components industry a plan to restructure the sector. Tha state-owned car group argues that a components manufecturer now needs lo control at least one-third of the European markel in its sector if it is to be competitive.

This could provide e challenging target for Renault's own electronics car components venture with Bendix of the U.S. in France. Reneult and Bendix formed the joint venture, called Renix, 51 per cent controlled hy the French company, five years ago. The project was part of a key aspect of the strategy of M Bernard Hanon, the former chairman of Renault who was forced out thia year, and replaced by M Georges Besse.

Although M Hanon was generally opposed to a atrategy of vertical integration, and believed a car group should buy as much as possible of its components from outsida sources, he made a major exception for high technology. He felt Renault should control production of its own high technology components as well as new factory production and manfacturing techniques like robots and computer-aided design. He thus favoured the creation of Renix, and launched a series of other high technology ventures, ranging from lasers to liquid crystal and ceramics technology with international partners, which could provide the knowhow Renault lacked in these fields. He also built np a major presence for Renault in the factory automation field.

M Hanon's idee was that these joint ventures should not nnly be turned towards Renault, but also generate substantial revenues by selling their products outside the Renault group.

This is in sharp contrast to the private Peugeot group'a strategy. Although Peugeot once toyed with, but subsequently dropped, the idea of a joint electronics venture with the Thomson group of France, it has preferred to stick to the business of making cars. "We are not chip or robot makers, we make cars," says a Paugeot executive.

If the idea was for Renix to become e major rival to groups like Bosch or Lucas, the Renault electronics components subsidiary has so far found it difficult to penetrate markets outside the state-owned car group. The decline in Renault sales and those of AMC, the U.S. car company 46 per cent owned by Renault, have been obvious repercussions on Renix.

M Besse, the new Renault chairman, is now reviewing his group's entire strategy and this clearly includes an early push in new high technology components sectors. A liquid crystal dasb board venture and a ceramics project have both been FFr 147m ($150m) in 1984, dropped, the company announced yesterday.

Despite the current problems of the domestic car industry, the French market is seen as offering potentially rich long-term rewards for competitive components manufacturers. But the leading European manufacturers are worried that the current weakness of the car and components sector in France could open the door to the Japanese. Both Renault and Peugeot have had extensive and regular conversations in recent months with Japanese car components groups.

As a result, European components manufacturers have been increasingly arguing for the need to maintain a strong European components industry with a number of competitors able to offer secure alternative supply sources to European car producers. For this reason, both the French car groups and other European components mannfacturers have favoured a rapid solution to Valeo's current troubles. Equally, however, they opposed a refinancing proposal which would bave given Bosch a direct stake in the French group.

Valeo has claimed that financial links with Bosch would damage its credibility as an independent car components manufacturer. In turn, there was the risk of depriving the French car groups of an important alternative source and of helping Japan'a efforts to penetrate the European market, French industry argues. But there are also claims that temptations at present are great for the French car groups to make a deal with Japan.

TOKYU DEPARTMENT STORE CO. LTD.

Notice to EDR Holders

Further to Notice of January 30, 1985 The Chase Manhattan Bank, N.A. announce that the final cash dividend of Yen 3.50 per share has been converted to U.S. Dollars and amounts to US$13.81 gross per EDR. All presentations will be subject to deduction of Japanese withholding tax (if any) at the appropriate rates and representative payments will be US$11.05 net after deductions of 20% Japanese withholding tax or US$11.74 net after deduction of 15% Japanese withholding tax depending upon the residential status of the claimant and the application of any Double Tax Treaty concluded with Japan. Affidavits will be required in all cases where a withholding rate of less than 20% is to be used.

Accordingly, EDR holders may present coupon No. 12 forthwith at The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD or at Chase Manhattan Bank Luxembourg S.A., 47 Boulevard Royal, Luxembourg or at Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg.

Notice is also given that the summary of income of the above Company for the year to January 31, 1985 is as follows (presented in Yen millions after rounding off all amounts less than one million):-

Net Sales	256,803
Cost of Sales	208,955
Depreciation	2,064
Rentals	5,828
Selling, General and Administration Expenses	44,502
Net Interest	1,864
Other net income	2,117
Income before taxes	5,705
Provision for taxes	3,272
Net income	2,433

THE CHASE MANHATTAN BANK, N.A.
London, as Depositary.

INTL. COMPANIES & FINANCE

American Express plans Y10bn bond issue

By Yoko Shibata in Tokyo

AMERICAN EXPRESS, the U.S. financial services, insurance and international banking group, will test the yen-denominated samurai bond market with a Y10bn 10-year issue in June—the first by a foreign company holding a banking subsidiary in Japan.

Under the traditional boundaries of Japan's banking structure, which separate short from long-term markets, the right to raise long-term funds through debentures *is* authorised for only six long-term credit banks—the Industrial Bank of Japan, the Long-Term Credit Bank of Japan, the Nippon Credit Bank, the Bank of Tokyo, *the Norinchukin* Bank and the Shoko Chukin Bank. American Express, which owns a banking subsidiary in Japan called American Express International Banking, does not meet the *criteria which would allow it* to issue bank debentures or samurai bonds.

Some Japanese financial institutions are also arguing that the planned issue would invade the territory of the *long-term credit banks.* To get around the regulations regarding bank debentures, American Express will specify that the proceeds from the yen bond will be spent on its travel related services, not on its banking business.

However, the Japanese securities companies say that it would be virtually impossible to discern how the proceeds from the samurai bond were used.

The American Express samurai issue, which is being closely watched by other potential borrowers, would stir up a hornet's nest if approved by the Ministry of Finance. *It* would provide overseas financial institutions access to cheap yen funds.

Following the successful Y30bn 10-year samurai bond issue in February by Victoria, the first Australian state to issue a yen bond, New South Wales plans to tap the samurai bond market with a Y50bn 10-year issue in June. Japanese securities houses say that Queensland, too, plans to tap the samurai bond market this summer.

Murdoch will fight to keep Australian TV stations

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ALTHOUGH Mr Rupert Murdoch, the Australian media magnate, is to apply for U.S. citizenship to help facilitate his acquisition of Metromedia Broadcasting, he is likely to fight hard to retain control of his money-spinning Channel 10 television licences in Sydney and Melbourne.

However, it is thought unlikely that Canberra will be prepared yet again to alter the rules on foreign ownership of Australian TV licences as it did in 1981, when the Fraser Government passed the so called "Murdoch amendment" to the Broadcasting and Television Act.

That was at a time when Mr Murdoch's Australian residential qualification to hold a TV station licence was being challenged. The "Murdoch amendment" conveniently changed the ownership qualification from Australian "resident" to "citizen."

The Australian Broadcasting Tribunal said yesterday that representatives of Mr Murdoch's News Group had informed it that Mr Murdoch was expected to *apply for* U.S. citizenship.

"They further stated that in the normal course of events, there would be a period of four to six months between the date of application for citizenship and the date when it became effective," said the tribunal.

"They stated that if Mr Murdoch decided to proceed to become a U.S. citizen, consideration will be given to the steps necessary to ensure that the licenecs of *the two television* stations continue to comply with the Broadcasting and Television Act."

It is not clear what these steps would be.

Mr Murdoch and his family control News Corporation through a family company called Cruden Investments. News Corporation is now a 50.21 per cent owned subsidiary.

New Corporation supplies no divisional breakdown of profits. However, Mr Murdoch's Australian operations accounted for 33 per cent *of* group operating profits in 1983-84. Mr Murdoch acquired television station Ten-10 in Sydney in 1979 and ATV-10 in Melbourne in 1980. Both are highly profitable.

If forced to jettison the two stations to facilitate his much bolder plans in the U.S. Mr Murdoch would still be left with numerous profitable businesses in Australia, including a clutch of newspapers (mostly tabloids), 50 per cent of Ansett (one of the two major domestic airlines), assorted magazines and book publishing, computer software, pastoral and other interests.

The broadcasting tribunal *said* that *as no change had* taken place in Mr Murdoch's citizenship, "no action is warranted at this stage." It said it would monitor developments.

Southern Sun marginally ahead

BY JIM JONES IN JOHANNESBURG

DETERIORATING ECONOMIC conditions placed severe pressure on room occupancies, rates and food and beverage sales of Southern Sun, the South African hotel chain, in the second half of the year ended March.

Nevertheless the group's turnover for the year increased by 4.8 per cent to R129.8m ($65m) from R123.8m, which led to a 1.7 per cent increase *in the operating profit before* interest and tax to R20.3m from R19.9m.

Southern Sun was restructured last year as part of a major rationalisation of the hotel trade and shed the management contracts for casinos and hotels outside South Africa. As a result the attributable earnings of associated companies dropped to just under R10m from R17.2m. This contributed to a 15.2 per cent fall in taxed attributable profit, to R25m from R29.5m.

Earnings have dropped to 45.1 cents a share from 53.1 cents and the dividend has been cut to 32 cents from 40 cents.

Southern Sun, which operates 26 hotels, acquired the 23-hotel Holiday Inn South African chain in April

U.S. group in Arab automation venture

BY DOMINIC LAWSON

COMBUSTION ENGINEERING, the U.S. industrial-equipment manufacturer is joining forces with Araba Petroleum Investments Corporation and Arab Industrial Investment Company to create the first Arab-based industrial automation company.

The new company, Arescon, said yesterday that the Arab world currently depended on imports for process control instrumentation, and that its *goal was* "to develop total Arab capability to compete in the process control markets, first in the Arab states, then selectively elsewhere in Africa and Asia as the venture matures."

The joint venture estimates that the Arab industrial automation market will be worth $2bn over the next five years, and CE aims to increase the proportion of its business in the Arab world about five-fold.

The start-up capital of the venture is $40m, half of which has already been committed. Arab Petroleum Investments Corporation, the investment arm of the Organisation of Arab Petroleum Exporting Countries, has 40 per cent of the equity. CE also has 40 per cent, and Arab Industrial Investments Company, sponsored by the League of Arab States, has the remaining 20 per cent.

Mr Charles Hugel, president of CE, conceded in London yesterday that the venture could diminish CE's existing export business in the Arab world, but he claimed that "the days of the Middle East as a pure export market are over."

Casio maintains profits growth

By Our Tokyo Staff

WITH brisk exports resulting from the acceleration of the U.S. economy last year, coupled with the benefit from the *yen's depreciation,* Casio Computer has maintained its record of increasing profits in the year to March 20, with taxable profits moving ahead by 15.6 per cent to Y16.3bn ($64m).

The company, one of the largest Japanese markers of electronic calculators and digital watches, lifted net profits by 15.7 per cent to Y7.53bn, on turnover of Y210.3bn, np 19.2 per cent from the previous year. The final dividend was unchanged at Y12.5.

In the year ending March 1986, Casio's prospects look even more encouraging, with a Y15bn-20bn contribution from a new line of products of increased added value, such as liquid crystal colour television sets, liquid crystal shutter printers and film-thick radios.

Last year, all Casio's sectors performed well. Electronic calculators contributed 46 per cent to turnover, ahead 18 per cent, thanks to the introduction of film-thick credit-card-type calculators

Casio's exports, *accounting* for 70 per cent of turnover, surged by 28 per cent.

Bridge Oil bids for National

BRIDGE OIL, the Australian energy group with oil and gas interests in the Cooper and Surat Basins, is offering A$17m (U.S.$11.2m) in cash for *National Oil,* an exploration company with onshore permits in Queensland, Victoria and Western Australia. Bridge has acquired 19.5 per cent of National through the market since last October, writes Our *Financial Staff.*

The offer values National at 70 cents a share

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UK COMPANY NEWS

BAGS to invest £4m in U.S. high technology

BY CHARLES BATCHELOR

British American & General Trust (BAGS), an investment trust managed by Kleinwort Benson, is to pay £4.2m in shares for stakes in seven U.S. high technology companies in a deal it believes is unprecedented for a British trust.

BAGS is to take over holdings of between 1.3 and 39.6 per cent in the privately-owned U.S. companies from New Enterprise Associates (NEA), a U.S. venture capital management company.

NEA, which has both board representation and other share holdings in the seven companies, is to advise BAGS on the progress of these investments and on other opportunities for direct investment in U.S. high technology companies.

Mr Bobby Nicolle, a director and chairman-designate of BAGS, said: "This is the first time that a British investment trust has done this and it is also a new step for a U.S. venture capital fund.

"Having a mutual co-operation agreement with a venture partnership in the U.S. will give us insights into new developments in U.S. technology."

BAGS is buying from NEA the remaining unqueted investments carried out hy NEA's first venture partnership launched with funds of $16m (£13.2m) in 1978. NEA One has since distributed $45m to its investors and has a residual value of $16m.

The seven stakes BAGS is buying are: 2.2 per cent of Cadtec Corporation, which develeps turnkey computer-aided engineering systems; 7.5 per cent of Microsource, which makes microwave components, primarily oscillators, used in missile guidance systems.

Also, 6.9 per cent of North Star Cemputers, which makes IBM-compatible multi-user microcomputer systems; 8.7 per cent of Queue Systems, wblch develops instrumentation for the medical and life sciences sector; 39.6 per cent of Sierra Mooitor, making gas and water monitoring and control equipment; 1.3 per cent of Syquest Technology, which makes 100 mm removeable Winchester disc drives for portable computers; and 2.5 per cent of Zymark Corporation, making laboratory automation systems for the preparation of samples for the pharmaceutical, food and energy sectors.

These companies are still in the development stage though a number have achieved positive cash flows on a monthly hasis in recent months, Mr Nicolle said. The aim is to float most of them publicly or sell them to public companies within about two years.

BAGS will issue 3.8m shares, representing 7.6 per cent of its existing issued capital to finance the deal. The new shares will not rank for the 1985 interim dividend.

The BAGS shares will be issued at 110p, a premium of about 6.1 per cent to the middle market quote of its shares on May 1.

NEA would receive 10 per cent of any realised profit on the sale of these investments while Mr Frank Bonsal, one of the feunding partners of NEA, will become a non-executive director of BAGS.

NEA has raised a total of $200m through four funds, NEAs One, Two and Three and Southwest Enterprise Associates, since March 1978.

Telecom's transatlantic link

BY RAYMOND SNODDY

British Telecom plans to increase its stake in the North American market through the acquisition of CGT of Toronto for C$20m; equal to £12m.

CGT designs, installs and services private telecommunications equipment and connects it to the public network.

The company, which does not manufacture its own equipment, was one of those which sprung up five years ago when telecommunications were liberalised in Canada in 1980 and private equipment could be cennected to the Bell Canada network.

The agreement in principle to hny CGT, if it is finalised, will be BT's first wholly owned subsidiary in North America. It has a 49 per cent stake in Centel which markets its business systems in the U.S.

Mr Dudley Fielding, director of eperations of BT Enterprises said yesterday "this acquisition is a further move by British Telecom Enterprises into overseas telecommunications apparatus supply."

CGT, which had a turnever of C$45.2m in the year to December, distributes telecommunications equipment fro mcompanies such as Mitel of Canada and TIE of the U.S.

BT said yesterday it weuld ncquire 100 per cent ef the CGT equity for C$5.25 n share and C$0.60 per warrant.

Members of the management and several major shareholders whe have a total holding of 25 per cent have agreed te suppert the proposed acquisitien. BT has also been granted options to purchase a further 17 per cent of the outstanding shares.

BT also has an optioo to buy treasury shares representing up to 24.9 per cent of the outstanding shares nt C$5.25 a share.

The final purchase is dependent on the completion ef a definitive agreement and approval under the Canadian Fereign Investment Review Act.

Westland calls in U.S. bank as adviser

By Lionel Barber

Westland, the troubled helicopter manufacturer facing an £89m contested takeover hid from a City consortium led by Mr Alan Bristow, yesterday called in Goldman Sachs, the U.S. investment bank, as adviser.

Westland stressed however that it was retaining the UK merchant bank, J. Henry Schroder Wagg, which will lead the defence against the Bristow hid.

In the City, the Geldman Sachs appointment was seen as a move to help Westland find a "white knight" in the U.S., possihly in the shape ef one of the large helicopter companies such as Sikorsky, Bell er Hughes.

Sources close to Westland said yesterday that the company was likely to seek to persuado one of the U.S. helicopter companies te take a shareholding in Westland rather than court a full takeover bid.

The idea would be to create n largo shareholding in Westland as a block against the Bristow bid. It is generally accepted that on strategic grounds alene the UK government would be unlikely to support a full U.S. bid for Westland, which is Britain's sole helicopter manufacturer.

Westland's board is to meet this morning, and a meeting is te be held this afternoon between Westland's chairman, Sir Basil Blackwell, and Mr Alan Bristow. The two sides are likely to discuss their respective plans for the future of the company which faces an acute shert-term dearth of orders.

Schroders said yesterday that it has received a number of approaches from parties interested in Westland, particularly in its 52 per cent ewned technology subsidiary, Normalair-Garrett. Last week, Westland said it was studying plans to float off Nermalair-Garrett with a separate full stock market quote.

Marginal increase to £9m at Lee Cooper

Lee Cooper Group, the manufacturer of men's and ladies' jeans and casual wear, yesterday reported a "marginal incerase" from £8.21m to £8.91m in pre-tax profits for 1984 and ao unchanged final dividend of 2.275p, which holds the total at 3.675p.

Lord Marsh

Turnover rose hy £11.37m to £94.61m, although 58 per cent ef the improvement stemmed from favourable exchange rates.

"The jeans market has been faced with a dramatic shift in demand away from the basic western jean toward a wider range of leisure wear not so suited to mass production techniques," says Lord Marsh of Mannington, the chairman.

The market fo rthe traditional western jean has declined in abselute terms and Lee Ceoper "has continued to fellow a policy of moving towards a wider product range while still exploiting its existin gtechnology."

In response to the changing market, the company has restructured plants and reviewed sourcing arrangements, he says. The introduction io the UK of the Freoch designed fashion raoge contributed to "a small but encouraging increase on turnever."

The full benefit of this change will be seen this year, be says, and combined with continued reductions in overheads, "leads us to expect a significant improvement within the next 12 months."

Lee Cooper Licesing Services, now managing licensees in 15 countries, continues to expand the group's markets and promote its products worldwide.

Group profits after tax in 1984 amounted to £3.67m, against £2.65m, and earniogs per share were up from 15.58p to 20.18p—minerity interests accounted for £534,000 (£227,000).

● comment

The market will need positive evidence that Lee Cooper is peised to turn in seme solid profit increases before it re-rates the shares, which are languishing on an earnings multiple of 6. The results for 1984 bave not provided that evidence and the shares fell 7p to 120p. After allowing for favourable currency factors, profits rose by less than nine per cent over a 1983 total that was depressed by one-off factors including a costly renegotiation of n licensing agreement in the Eastern Block. The UK operations continued to make heavy losses (although down from £3m in 1983), and despite a major rationalisation effert are expected to remain in the red for 1985. That said, Lee Cooper has coped better than its rivals with the sudden contraction in the market for jeans, and last year it managed to rednce its dependence on traditienal jeans from 60 to 40 per cent, concentrating instead on casual wear that uses some ef the same mass production techniques. Its latest collectien "The Line" is apparently selling well; but it will have to sell very well indeed to compensate for worse times ahead on the Continent where stocks of jeans in the shops have reached record levels.

BOARD MEETINGS

TODAY

Interims—Five Oaks Investments, Marine Adventure Sailing Trust, Valn Pollen International.

Finals—Barr and Wallace Arnold Trust, City of Oxford Investment Trust, Cluff Oil, Costain, European Ferries, External Investment Trust, G.T. Dollar Fund, Joseph Holt, London Park Hotels, Miles 33, Silentnight.

FUTURE DATES

Interims—

Brooks Tool Engineering	May 20
Davenports Brewery	May 29
Higsons Brewery	May 23
Radio Clyde	May 17
Reliant Motor	May 17

Finals—

Altifund	May 16
Cass Group	May 16
Emray	May 14
Glanfield Lawrence	May 10
Habitat Mothercare	June 6
Land Securities	May 14
Eutwich Investment Trust	May 13
Sears	May 14
Waco	May 14

UK COMPANY NEWS

M & S to spend £500m on major store expansion

Marks and Spencer is to spend almost £500m over the next two years on a major store development programme which will be the biggest in the company'e history. About 700,000 square feet of selling space — the equivalent of 30 new stores — will be added to the 7m square feet that M & S already has from its 264 UK stores.

This substantial capital investment was announced yesterday when M & S reported results for the financial year ending 31 March 1985. This sew M & S become Britain's first stores group to earn more than £300m in pre-tax profits, from e turnover in excess of £3bn.

Mr Keith Oates, the company's finance director, said yesterday that M & S planned to spend £220m in its current financial year and £260m in 1986-87 on capital investment. In the last year, M & S spent £114.2m.

The investment will be used to add extensions to existing stores, build small "setellite" stores close to large town centre stores, and to start M & S's development on edge-of-town eites. In addition, all stores are being refurbished to new design standards.

"This capital spending programme will be in excess of our casb generation but will not strain our balance eheet since we will move from virtually no gearing today," said Mr Oates.

Although there was some improvement in the company'e trading performance in the second balf of the financial year, the overall rate of growth in pre-tax profits et 8.6 per cent was below market expectations. The outcome for the year was e taxable return of £303.4m, an increase of £24.1m.

Turnover grew by 12 per cent to reacb £3.21bn. With trading profits of £349.3m, against £312m, the company held trading margins at 10.9 per cent.

Virtually all of the profit rise cambe from the gronp'e UK activities wbich showed e return of £288.7m against £265.3m. Both Enrope and Canada were relatively static, with pre-tax results of £7.1m (£6.7m) and £7.6m (£7.3m) respectively.

Of the total 11.7 increase in UK sales, only 1.7 per cent was due to infletion with the rest coming from increased volume. In the clothing division, volume growth with 6.6 per cent with only 0.8 per cent extra coming from price rises. The volume growth in homewares was 20.3 per cent, with a 2.1 per cent inflation increase. The volume increase in the food division was 11.5 per cent.

M & S estimetes that it lost £24m in turnover as e result of the strike, causing a drop in pre-tax profits of about £6m.

One feature of the year's trading was the introduction of the M & S chargecard following e six month trial in Scotland, and the result from the chargecard is shown in the £4m return from financial activities, along with leasing and insurance operations. Finiancial activities added £4.3m in 1983-84, and Lord Raynerd chairman says that this year'e result after deducting costs of £1.9m on the chargecard operation arising from the Scottish trial and start-up costs prior to the national launch.

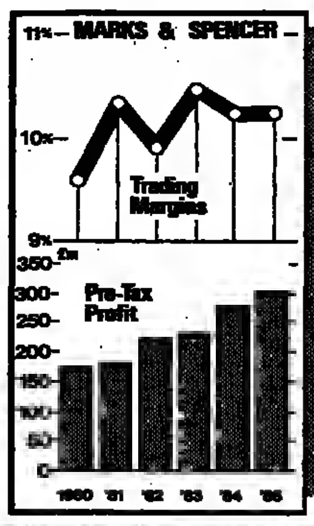
With the introduction of the chargecard, income and expenses relating to all financial activities have been included in turnover and cost of sales. This is a change from pervious years.

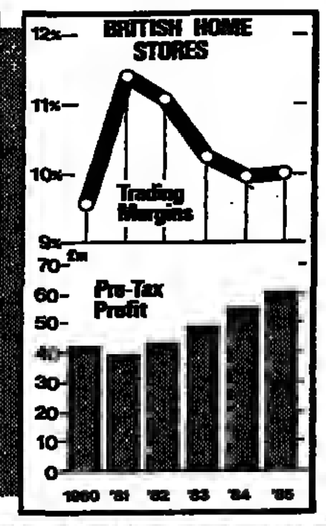
In his review of retailing operations, which as usual added the bulk of the pre-tax profit with £299.4m, against 275m, Lord Lord Rayner says that sales of menswear, lingerie, homewear, footwear and foods all made good progress, but that eales of ladies' outerwear have been disappointing.

The final dividenn on the 25p shares—which fell 2p yesterday to 134p—is raised from an equivalent 2.1p to 2.32p per share, making a total of 3.4p (3.125p adjusted) for the year. This is covered twice by earnings at a stated 6.9p (6.3p) per ebare.

The taxable figure is stated after a £6.5m (£5.8m) provision for the UK employees' profit sbaring scheme, interest payeble of £5.8m (£5.2m) and depreciation of £44.3m (£34.7m). It also includes interest received at £9.8m (£11.4m), the profit on the eale of fixed assets of £0.3m (nil) and profit on the sale of Government securities of £0.6m (£1.6m), and was subject to tax at £120.3m against £111.1m.

See Lex





Lord Rayner (left) chairman of Marks & Spencer, and Sir Maurice Hodgson, chairman of British Home Stores

BHS nears £61m and sees sustained growth ahead

WITH consistently improving trends in performance having been established for three successive years the directors of British Home Stores are looking for a period of "sustained" profitable growth ahead.

For the 52 weeks ended March 30, 1985 profits at the pre-tax level were psot on market estimates, rising from £55.19m to a record £60.98m.

The dividend fo rthe year is being stepped up by 0.75p to 6.75p net per share, the final being 5p.

The 10.5 per cent rise in profits was achieved from e turnover of £608.58m, up from £546.85m, including VAT.

Group chairman Sir Maurice Hodgson tells shareholders that the sales increase was the best for some years and was shared by all product gronps.

Although economic conditions during the year were generally favourable to retailing, be says this nevertheless represents "an encouraging improvement in performance."

The group continued to maintain tight control over costs and made progress towards attaining its key marketing objective, primarily as e result of accelerated prodnct development.

The directors continued to invest at a high rate in the acquisition of new stores and in the extension and refurbishment of existing stores.

Capital expenditure for the year rose by £25m to £60m, an increase which Sir Maurice says demonstrates "continuing commitment to these aspects of the group's outlet strategy."

The chairman is encouraged that BHS has established consistently improving trends in performance for three successive years.

He says there is no single measure of performance, but points out that sales, both in value and volume, have grown at an increasing rate year by year.

Similar trends have been estabilshed in terms of sales per unit of selling space, sales per head of stores staff and sales per unit of stock.

Shareholders are told that these trends, together with the accelerating rate of capital investment, provide "a powerful base from which ta launch this year'e further profit investment programme."

Sir Maurice is confident that the group'e marketing strategy will enable it to continue to meet the increasing pressures of High Street competition and that the strong financial base will enable BHS to take full advantage of development opportunities.

In all, the directors are looking forward to a period of "sustained profitable growth ahead."

A divisional breakdown of group sales for 1984-85 shows merchandise £486.12m (£434.76m), food £88.28m (£81.1m) and restaurant £34.18m (£30.99m).

Trading profits showed an improvement of £5.94m at £54.03m after taking account of depreciation of £14.95m (£13.17m), pre-opening expenses of £3.48m (£1.78m) and a pension fund contribution of £4.3m (£3.9m). Trading margins rose from 8.79 to 8.87 per cent.

Pre-tax profits took in a related companies share of £4.86m (£4.39m) and interest receivable of £4.68m (£5.34m). Interest charges accounted for £2.58m (£2.62m).

Tax took £23.33m (£21.18m) to leave the net balance 10.7 per cent ahead at £37.65m, compared with £34.01m—last time there were also extraordinary debits of £2.73m.

Earnings per 25p share emerged at 18.1p, against a previous 16.4p.

Two external issues are causing the directors some concern They explain that in Scotland BHS appears to be facing massive increases in rates which, by adding to the burden of overhead costs, "must inhibit the physical expansion through which new jobs are created."

The group is als oexperiencing increased shop theft throughout the country which has risen to an "larming extent."

Steps have been taken to strengthen management immediately below main board level through the appointment of five divisional directors, four of which are internal promotions.

Yesterday, BHS shares closed at 293p, a rise of 10p on the day.

See Lex

Microgen to buy Scan Laser

Microgen Holdings, the computer services company whicb converts compnter print-outs into microfilm and microfiche, is to buy Scan Laser International, e laser printing company, for between £2.1m and £3.6m.

The total consideration will be calculeted on the basis of Scan Laser's profits for the year to December. An initial £2.1m tranche is payable on completion and will be satisfied by the issue of £200,000 12 per cent unsecured loan stock and 622,599 new ordinary shares and £22 in cash.

Scan, which bad profits before tax of £322,000 on £1.7m turnover in the year to last December, supplies electronic printing and typesetting services based on Xerox 9700 laser printers to customers requiring multiple copies of computer generated reports.

Microgen said the business was complementary to its own computer output microfilm bureeu operations, in thet both provided services for the specialised processing of computer output.

Executex Clothes

Pre-tax profits of Executex Clothes fell from £206,000 to £117,000 in 1984 with only £27,000, against a previous £53,500, coming in the second six months.

Turnover for the year rose from £3.91m to £4.24m. There was again no tax charge but extraordinary debits took £10,000 more et £61,000. Earnings per 20p share fell from 9.65p to 5.5p. No ordinary dividends bave been paid since 1981.

Lyle £17m in the red after exchange loss

Lyle Shipping, the loss-making Glesgow shipipng line, has been severely hit by exceptional exchange losses of £12.35m and hes reported e nearly doubled pretax loss of £16.8m for 1984.

The exchange loss hed been forecast at tbe time of the £6.7m rights issue last February.

The result compares with a restated loss of £8.71m last time, and tbe announcement sent the group's shares down 1p to 11p. Tbe directors are stil unable to recommend an ordinary dividend or payment on the preference shares.

The company, which has abandoned e policy of diversification to concentrate on its shipping interests, managed to reduce losses in shipping by £4.45m to £3.25m, but says that there is little cause for optimism ebout the bulk shipping market during 1985.

"Beyond that," says Mr C. A. HacLeod, the chairman, "much will depend on how quickly the industry demonstrates a determination to react quickly positively to e crisis whicb is very mnch of its own making."

Ha edds that only an accelerated programme of ship scrapping can alter the existing imbalance between supply and demand.

On the exchange rate provision, Mr MacLeod says that the recovery of sterling against the U.S. dollar since the year end will, if maintained, provide e boost to results for the current half year. He warns, however, that conditions for the group'e offshore service associate remain extremely difficult et present although the longer term outlook is "relatively encouraging."

Despite the severe losses for the year under review, the chairman considers that the group is now better placed figuancially than at any time in the past 18 months. He says thet this is because of the radical ection taken as e consequence of a realistic appraisal of the financial position and potential taken et the start of that period.

The policy now is to consolidate and improve its position around an asset base consisting primarily of the current fleet and the investment in Lyle Offshore Group, the 46.1 per cent owned associate.

Group turnover moved abead from £20.67m to £23.84m, and the taxable loss was reduced by a £1.23m (nil) gain on the disposal of ships. Of the group's associates, the offshore services company increased losses from £1.17m to £2.82m.

● comment

As the main details of Lyle's 1984 results were revealed in February when the company launched a lifeboat operation consisting of a £6.7m rights issue and a debt moratorium, the latest beavy losses came as no surprise. The issue now is not wbether the company is ebout to go under, but whether it can use the two to three year grace period that the restructuring has given it to get its affairs in order. Given the skill with which the new management has shaken up and slimmed down the company over the past two years, cutting the losses made in the bulk shipping division in four successive quarters with no help from market rates, and rednclng operating costs to levels which are internetionally competitive, they deserve to succeed. However, a return to profitablity will depend on e recovery in the bulk shipping rates of whicb there is no sign, and an improvement in the offshore market. At 11p down 1p the shares are a gamble.

Suter buys stake in Newman Inds.

Sater, the engineering, distribution and peckaging group heeded by Mr David Abell, disclosed yesterday that it had built up a 7.51 per cent stake in Newman Industries's cumulative convertible redeemeble participating preference shares. The sharee are due for conversion in July, wben they will represent some 5.4 per cent of ordinary shares.

Mr Abell described the stake as an investment and said it bad been built up gradually over the past year. Newman underweot a major refinancing operation in 1983 but has enjoyed a sharp profits recovery since then.

Pilkington WG

Flachglas, the 77 per cent owned West German subsidiary of Pilkington Brothers, raised pre-tax profits in 1984 from DM 24.7m to DM 37.4m (£9.7m), in spite of strong competition in Europe. The dividend is DM 9 (DM 8).

Cole

THE Cole Group, the plastics manufacturer, yesterday urged shareholders to take no ection on the £4.8m bid by Robert Moss, saying the offer was unacceptable.

COMPANY NEWS IN BRIEF

The discounted value of proven and probable reserves of Falcon Resources, the oil and gas exploration group, totalled $83.4m, or 538 cents a sbare, as at April 1, 1985. Of these reserves, some 82 per cent are proven.

In July, 1984, wben Falcon obtained its full listing, reserves on the same basis stood at $19.6m or 126 cents e ehare.

All of Falcon's exploration activities are in Colorado, U.S., with the only UK involvement being a leading stake in the Merseyside slop oil facility, Vestor Petroleum Recovery. Vestor is 42 per cent owned by Falcon.

In 1984, however, Vestor contributed e loss of £49,000 mainly due to its coming fully on stream et e later date than expected.

As known, Falcon made nretax orofits of £125,000 in 1984—its first full financial year. For the last eicht months of 1983, it posted e £57,000 loss.

* * *

Pre-tax profits of Massey-Ferguson Holdings, a subsidiary of the Canadian tractor maker, surged from £984,000 to £16.33m in the year to January 31, 1985. Turnover improved from £533.76m to £623.49m.

The directors say the continuing programme of ections to reduce costs and to improve efficiency should result in e further improvement in the underlying strength of the company's manufacturing operations in the UK.

* * *

Ambrose Investment Trust had e net asset value of 31.2p per 25p income share at end-March 1985, compared with 31.23p a year earlier, and 354.8p per 25p capital share, against 301.06p. The total dividend is lifted to 8.82p (8.4p), with e 5.82p (5.4p) final. Stated earnings per income share are shown as 8.79p (8.06p).

After tax of £268,000 (£242,000), net revenue emerged at £633,000 (£580,000).

* * *

James Crean, Dublin-based beverages, confectionery and industrial electrical products group, is raising some I£10m (£8m) by an underwritten rights issue of 2.86m new ordinary shares and I£5.16m 10 per cent redeemable convertible unsecured loan stock 1995.

Terms are one new ordinary at 180p for every four ordinary shares beld and £45 loan stock at par for every 100 ordinery held. The funds will be used initially as an offset against existing borrowings, which stood at £6.1m on April 30, 1985.

Pre-tax profits for 1984 rose from £2.69m to £2.99m, on turnover of £79.41m (£81.95m). Earnlngs ner 25o share were 20.62p (14.43p) and the dividend is up from 8.25p to 9.5p with a final of 5p.

Trading performance this year has continued to be satisfactory and the directors are optimistic about prospects.

* * *

Forward Technology Industries, Hertfordshire-based manufacturer of electronics and specialised machinery, said yesterday that it was involved in discussions which might result in the sale of ooe of its subsidiaries.

* * *

At the annual meeting of Cement - Roadstone Holdings, Dr M. J. Dargan, the chairman, told shareholders that the recent U.S. purchase, Calanan, had won e freeway repair contract worth $13m. Two other U.S. companies had also recently secured significant contracts.

He said the group was et an edvanced stage in discussions about e relatively small business in the U.S., and soon expected to conclude negotietions to ecquire e larger business this side of the Atlantic.

The group was not intending to use its shares relative to either transaction.

Despite e difficult trading start, it was not changing the targets set at the beginning of the year.

* * *

Tate & Lyle's Canadian subsidiary Redpeth Industries was virtually static in the first half to end March 1985, with pre-tax income of C$18.95 (£11.3m) against C$18.97m.

The second quarter, which saw taxable income fall from $9.28m to $8.78m, was affected by a five-week strike at Redpath Sugars, and by severe price competition in the north-eastern U.S. Revenue of $102m was $11m higher than the comparable period.

Akroyd & Smithers advances

Akroyd & Smithers, jobber, raised pre-tax profits from £7.76m to £8.18m for the 25 weeks to March 22, 1985. The interim dividend is held at 4p net.

Since the end of the half year the company has experienced satisfactory trading, the directors state. Last year, dividends totalling 16.5p were paid on £9.4m profits.

First-half earnings per 25p share dropped from a stated 21.8p to 20.7p, after tax of £3.39m (same)

There was also an extraordinary debit this time of £410,000 being the legal and other costs incurred in connection with the agreed merger of the company with Mercury Securities, Rowe and Pitman and Mullens and Co.

Barton Transport

Pre-tax profits of Barton Transport, declined to £41,253 for the 24 weeks to March 16, 1985, against £153,182 last time which included £84,936 on the sale of fixed assets. Turnover was marginally higher at £3.62m, against £3.55m.

The group has faced large increases in fuel prices and the uplifting of interest rates. Both however, are now showing e downward trend and if thie continues it will ease pressures or profit margins.

Stated earnings per share were lower et 7.08p (29.29p).

Bonar

Flexible packaging was mainly responsible for an increase in sales and profits at Bonar for the first three months to March 2, 1985. Profits moved ahead from C$1.42m (£898,000) to C$3.27m (£1.39m), on sales up from $29.46m to $33.57m Bonar is the controlling company for the North American packaging and plastics interests of Low & Bonar, Dundee.

The quarterly dividend has been lifted from 10 cents to 11.5 cents e sbare.

Martin Currie

The offer for subscription by Martin Currie Pacific Trust of 12m ordinary et 100p per share bas been oversubscribed. The firm applications for 9m ordinary will be allotted in full, applications for in excess of 100,000 ordinary will be scaled down to the 90 per cent of the amounts appied for. All other applications will be met in full.

Smith & Nephew jumps 25% in first quarter

Smith & Nephew Associated Companies, manufacturer of medical and hygiene products and toiletries, echieved e 25 per cent increase in pre-tax profits for the 12 weeks to March 23 1985. The jump, from £10.92m to £13.64m, comes after e full year profits rise for 1984 from £44.59m to £55.48m.

Turnover for the period, excluding inter-company sales and sales by releted companies, moved ahead from £84.9m to £99.93m, generating an operating profit of £13.06m against £10.31m.

The results inclnde a four-wek period of Affilieted Hospital Products, ecquired at the end of February.

The pre-tax figure was struck after an addition of £1.57m (£1.37m) from related companies, and borrowings which cost £980,000 (£759,000).

Tax took a higher £4.73m (£3.77m) to leave net profits at £8.91m against £7.15m. Minorities took £5,000 (added £2,000), leaving net earnings per 10p share 22 per cent higher at 2.76p (2.27p), edjusted for the 1-for-5 scrip issue in May 1984.

The £48m cost of Affiliated Hospital Prodncts was paid partly in cash and partly by the issue of a 14 per cent promissory note. The funds for both the casb consideration and to repay the note were raised by the placing of 23.2m ordinary shares et 225p each. These bave been treated in the earnings per ehare calculations as issued for a similar four-week period.

Godwin Warren to fund £0.9m deal via rights

BY LUCY KELLAWAY

Godwin Warren Control Systems, Britain's leading manufecturer of computerised parking systems, is to acquire Thorn EMI Autopayments for £900,000 in cash. The acquisition will be financed by a one-for-three rights issue et 134p to raise £1.53m after expenses, with the balance used to expand the group's existing operations.

Autopayments which makes and services "pay and display" parking equipment should, according to Godwin Werren's directors, complement and extend the group's product range. In the year to March 1984 Autopayments made loeses of £50,062 on e turnover of £2.72m reflecting write-offs on e discontinued range, while the company's remaining operations earned a profit of £60,835. The £900,000 purchase price will repay debts of nearly £700,000.

Godwin Warren joined the USM in May 1983 via e placing et 57p. In 1984 profits almost doubled to over £500,000 on a turnover of nearly £5m.

The rights issue proceeds will be used to expand manufacturing capability, to increese working capital, and for the purchese of the assets of "Q" Controls, acquired last year.

The rights price represents e discount of 16.3 per cent against the pre-announcement price of 160p. The issua has been underwritten by Foster & Braithwalte and de Zoete & Bevan.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Akroyd & Smithers int.	4	—	4	—	16.5
Ambrose Inv Trust	5.82	—	5.4	8.82	8.4
J. Billam	1.4	—	1.4	2.8	2.8
British Homes Stores	5	July 4	4.25	6.75	6
Concentric int.	1.35	—	1.27	—	3.48
Garnar Booth	5.8	—	4.85	8.75	7.5
Lee Cooper	2.28	July 1	2.28	3.68	3.68
Marks & Spencer	2.32	July 12	2.1*	3.4	3.13*
Paul Michael	1.25†	—	—	1.25	—
Palma Group	1.25	—	Nil	2	Nil
Tyne Tees TV int.	Nil‡	—	3	—	10.5
Usher Walker	4.6	July 2	3.85	6.6	5.5

Dividends shown pence per ehare net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

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Exports boost Garnar Booth to record £5m

ALL DIVISIONS of Garnar Booth, tanner and leather manufacturer, contributed to the record pre-tax profits achieved in the year to end-January 1985. A 50 per cent surge, from £3.18m to £4.77m, was made on turnover ahead by £12.21m to £80.92m, and there was significant growth in exports.

Shareholders will benefit from these "highly successful" results, the directors say, with a final dividend of 5.8p (4.85p) being proposed, to lift the total from 7.5p to 8.75p. Stated basic earnings per share are shown higher at 39.27p (31.31p), and fully diluted at 36.67p (29.68p).

While the directors desire to continue increasing the rate of dividends paid, they are mindful of the need to conserve group resources to improve production facilities and to provide finance for increased working capital requirements.

Group trading followed a similar pattern to 1983, the directors say, with a strong second half following the good interim figures of £1.82m (£934,000). Sir Kenneth Newton, the chairman, says that the group has made an encouraging start to 1985. The factories are busy and the directors are hopeful of another good year's trading.

Sir Kenneth says that the benefits arising from having built a broadly-based group of leather businesses, with considerable strength in international markets, became evident in 1983, and the figures under review demonstrate bow the group has been able to build on this foundation.

While turnover reached an all time high, increasing by 17.7 per cent during 1984, exports showed a 29 per cent growth to £30.7m. The chairman says that although the strengthening of the dollar against sterling was an advantage, be believes that the group will bold its key export markets even if the pound improves materially.

Despite raw material costs rising to their highest levels during the year, bank borrowings were reduced, and pet interest costs lower at £0.93m against £1.14m.

The chairman says that wbile it is the group's policy to improve liquidity, more than £1m was invested during the year in new machinery and plant. The group will continue with a programme of modernisation and research so it can keep ahead in both production technology and quality, and retain its international competitiveness, he says.

The 1984-85 pre-tax figure was struck after receiving a dividend of £40,000 from a subsidiary no longer consolidated.

Better start shown by Billam

ALTHOUGH LOSSES of J. Billam accelerated during the second six months of 1984 the closure of the cutlery and flatware operations enabled tha group to return to profitable trading in the first quarter of 1985.

For the 1984 year the Sheffield-based group saw its losses at the pre-tax level widen from £18,000 to £193,000, of which £124,000 was incurred in the second half.

The directors say the results were "very poor" and justified their decision to cease manufacturing cutlery and flatware.

They point out, however, that the closure costs incurred were less than expected and warn that more will arise in 1985 as rationalisation coptinues.

The dividend for 1984 la beld at 2.8p with a final of 1.4p in the light of the "encouraging" start to the new year.

Investment in new plant and procedures has been made to achieve lower production costs and overbeads are constantly under review.

New business is being obtaioed and expansion sought in the group's traditional engineering sector. The directors are also seeking growth by acquisitions.

Turnover for 1984 totalled £1.5m (£1.94m). Tax added £16,000 (£27,000) but extraordinary items took £115,000 (oil).

Loss per 10p share emerged at 11.8p (earnings 0.5p).

All round progress at Concentric

Concentric, maker of controls and assemblies for the domestic, automotive and engineering industries, raised pre-tax profits from £0.74m to £1.05m for the half year to March 31, 1985 and it is anticipated that full year results will show an increase for the fifth successive time.

The directors say that with the Norton Aluminium problems hopefully behind Concentric, they face the second six months with considerable confidence.

All sections of the group made significant progress in the first balf, they state. In general, the company's range of products has never been greater, while the number of industries supplied contioues to expand.

Progress in the company's U.S. activities has beeo particularly eocouragiog and Concentric is well placed to take advantage ol the improving economic situation, both at home and io the world market, the directors say.

First-half sales improved from £26.68m to £29.14m. After tax of £441,000 (£247,000) oet profits were up from £493,000 to £610,000. Earnings per 10p share were stated ahead from 2.61p to 3.22p and the interim dividend is raised to 1.35p (1.27p) oet—last year's final was 2.21p op £1.62m pre-tax profits.

Sioce the eod of the half year, the stock and assets of Bridgnorth Eogioeering have been purchased from the receiver, a move which should streogthen the company's position in the automotive after market.

● comment

Declining losses from aluminium products, plus sharply rising sales in the U.S. have enabled Concentric to get back on the growth track and come in with interims just ahead of expectations. Although Norton Aluminium was still in the red at the midway point the losses are now believed to beve beeo staunched and the unit should be ip the black for the year. In the U.S. the sales volume of the truck and diesel parts business is continuing to grow strongly and could well double to around £7m for the full 12 months. The recent acquisition from the receiver of the stock and assets of Bridgnorth Engineering for a couple of bundred thousand pounds is expected to lead to an expansion of the same line in Europe. A sharp increase in tax rates arising from the abolition of stock relief in last year's budget has prevented the pre-tax growth from being transiated ipto more rapidly rising earnings per share. For the full year the tax rate is expected to be some 40 per cent although ACT relief sbould aid cash flow. The analysts' forecast is pre-tax profits of £2.1m for the year which op 73p, up 6p, is a prospective multiple of 11. On the running year the yield was a strong 7 per cent as befits a stock held more for income than capital gains.

Bristol Oil Indonesian expansion plan

Bristol Oil and Minerals, formerly KCA International, suffered pre-tax losses of £2.42m for 1984. This compared with a profit of £457,000 in 1983 which included a £4.78m surplus on the disposal of subsidiaries during that year. Turnover amounted to £13.08m, against £17.63m.

Loss per share is given as 6.8p (6.85p) and agaio there is no dividend—the last payment was a 2.75p interim in 1982.

After tax, minorities, aod an extraordinary credit of £5.74m (£1.3m debit) there was a profit for the year of £3.2m. This is against a previous loss amounting to £3.76m.

The extraordinary items for 1984 comprised a £3.32m profit on the disposal of trade assets and liabilities of BW Mud and certain of its subsidiaries, and a £2.42m credit from a deferred tax release.

The directors state that, as previously outlined, Bristol has been pursuing the disposal of certain assets in order to conceotrate its efforts on its exploration and production interests. They say that a delay in completing these negotiations will result io final accounts for the year belog produced later than expected; sometime during June, the directors say.

Drilllog has commenced io Indonesia and based on a report prepared by petroleum consultants, substantial revenues are expected to reach the company in the second balf of 1985, the directors say.

The company's major area of expansion is in Indonesia where the first workover has now been commenced in the Bunyu Island Field, through Bristol's subsidiary Mainline Resources.

The company believes that a recovery factor of 40 per cent of reserves lo place is conservative and therefore that there are at least another 55m barrels of recoverable oil in the field, the directors say. "This project will provide the company with the opportunity to establish significant reveoues from mid-year onwards."

In order to consolidate the group's position and to provide for additional funds to enable it to expand the oil and gas interests, the group is progressing its corporate plan to sell a number of assets of significant value, directors state. They add that these mainly comprise oil service interests. However, Bristol is also disposing of some of its exploration interests where it believes that receipts from these sales could be better used in acquiring other exploration assets and in reducing the level of gearing.

Profits up to £0.8m at Usher Walker

Taxable profits at Usher-Walker, manufacturer of printing inks and rollers, rose by £88,000 to £784,000 in 1984, and the directors are to recommend a 0.75p increase in the final dividend to 4.6p net per share. This makes a total of 6.6p for the year, up from 5.6p.

The 12.6 per cent improvement in profits came from turnover 10 per cent ahead at £10.15m against £9.24m. Most of the profits rise came in the secood half, which added £354,000 to the total against £309,000.

The result was subject to tax at £388,000 compared with £324,000, to leave attributable profits at £396,000 (£372,000). Dividends will account for £144,000 against £121,000, for a retained balance of £252,000 (£251,000). Earnings are stated at 18.46p (17.31p).

Wolstenholme Rink

Acceptances for the rights issue by Wolstenholme Rink of 1.24m oew ordinary shares at 220p have been received in respect of 1.2m shres (96.7 per cent).

The new ordinary sbares not taken up have been sold for the benefit of shareholders who did not take np their entitlements.

APPOINTMENTS

New chief for IDU

INTERNATIONAL DISTILLERS & VINTNERS (UK), domestic arm of Grand Metropolitan's wine and spirit division, has made senior management changes. Mr James Espey, now managing director, becomes chairman and managing director. Mr Colin Gordon, formerly finance and personnel director, has beep appointed deputy managing director, covering strategic planning, public affairs, finance and information systems. Mr Barry Sutton, production and purchasing director, will in future assume responsibility for purchasing and general administration. Mr Harry Whittle, distribution director, adds production. Mr David Smith joins the board as personnel director from Cossor Electronics. Mr David Moultrie, who has recently taken on the duties of trade relations director, will be replaced as sales director of Gilbey Vintners by Mr Jerry Parker, previously sales director of Cinzano (UK).

★

STANDARD CHARTERED MERCHANT BANK, wholly-owned subsidiary of Standard Chartered is forming an investment division to be headed by Mr Michael Benson who will join the board of Standard Chartered Merchant Bank and its investment company, Scimitar, this month. He comes from Lazard Brothers and Co where he is a main board director and joint managing director of Lazard Securities. In June, Mr Geoffrey Dutton will also be joining the board of Scimitar. He is also at present a director of Lazard Brothers involved in advising and managing pension funds.

★

Mr John London, a director of GERALD QUIN, COPE & CO, has been appointed managing director following its acquisition by Banque Belge. Mr Wallace Armstrong, managing director of Banque Belge, has become chairman of Gerald Quin, Cope. Mr Brian Savill remains a director.

★

Mr Derek Gaulter, director-general of the Federation of Civil Engineering Contractors, is to be the chairman of tha CONSTRUCTION INDUSTRY TRAINING BOARD from July 21. He succeeds Mr Leslie Kemp, who has been chairman for three consecutive three-yaar periods. Mr Gaulter's appointment is for a three-year period, and he will continue as director-general, FCEC.

★

Mrs Sonia Meaden has been elected chairman of BACTA, the association representing the coin-operated amusement industry. She is the first woman to be elected to the chair. Her family were founders of the Showmen's Guild and include four past presidents of that organisation.

★

Mr John Mitchell, PRINCIPALITY BUILDING SOCIETY'S assistant general manager, has been appointed chief executive designate and will succeed Mr John Hensman when he retires in September 1986.

★

Mr Jeremy Franks has been appointed managing director of SIMPSON PICCADILLY. He takes over from Mr Martin Moss, who becomes director of enterprises with teh National Trust. Mr Moss has been managing director of the West End store since 1980. He also relinquishes his seat on the board of S. Simpson, the parent company.

★

Mr A. E. Sinclair has joined McKECHNIE BROTHERS and will take a temporary assignment in Australia this month. He comes from the Delta Group where be was managing director, building products division.

★

Mr Ralph Levy is retiring on May 24 as a director of WILLIAM BAIRD, having last year completed the handover of Dannimac. Mr Anthony P. Cant, chief executive of Clifford Williams and a director of Baird Textile Holdings, is to replace Mr Levy.

★

The BRITISH BLOODSTOCK AGENCY has appointed Mr Michael Wates as deputy chairman.

★

Mr S. W. Wiltshire has been appointed a non-executive director of PATERSON ZOCHONIS. He retired from the board of J. Henry Schroder Wagg & Co on December 31, 1984.

★

TI DESFORD TUBES, of Kirby Muxloe, has appointed Mr Gordon Jones as managing director. He was general manager, Dunlop Semtex Flooring Group and Dunlop Footwear.

UK COMPANY NEWS

Palma £0.39m in red but sharp improvement seen

AS PREDICTED five months ago, Palma Group, the hosiery and knitwear manufacturer, fell into the red in 1984. The company turned in a pre-tax loss for the year of £388,000, against £507,000 profits previously, but is paying the promised total dividend of 2p net, with a 1.25p final.

Last December, the company warned that trading losses and closure costs of Fiveways Manufacturing, a sock-making subsidiary, would be taken as a write-off and would result in a 1984 deficit.

Fiveways was part of the loss-making making Montfort Group, acquired in December, 1983 through a reverse takeover by Palma, then a private company.

Extraordinary charges in 1984 jumped from £415,000 to £891,000 and included £756,000 in respect of the Fiveways closure.

The balance is the crystallisation of a contingent liability arising out of a guarantee, given by Pex, in respect of lease obligations of a former subsidiary. The directors were adivsed that little, if any, liability would arise, but in the event, the sum of £135,000 has had to be provided to cover this obligation.

On prospects, Mr Peter Bailey, the chairman, says that the current year's results are expected to show a substantial improvement now that the difficulties associated with the Montfort companies have been largely overcome.

Mr Peter Bailey

The closure of Fiveways and the Klinger subsidiaries will result in a cash benefit to the group of over £2m, the chairman states.

Turnover for 1984 showed a reduction from £21.47m to £19.53m. After a little changed tax abarge of £145,000 (£141,000), the net deficit came out at £533,000, against £366,000 profits. Stated losses per 25p share were 3.45p (1.37 earnings).

The gronp's drive into new technology and antomation has continued. Some £3m has been spent on the capital account and a similar sum is budgeted.

At the interim stage, the group reported a turnround from a £67,000 loss to a taxable profit of £409,000.

● comment

Palma Group would be the first to admit that the takeover of Montford, aompleted in December 1983 after four years of talks, has been an utter disaster. Palma anticipated difficulties in turning around loss-making Montford, but scarcely that it would hava to close down most of its businesses with the loss of 600 out of 700 jobs. Most of the financial damage is borne by these results, but tha costs of the Klinger closures, announced in April, will appear in the 1985 figures. It will be some time before Palma clears up the wreckage and even longer before the company can bope for any kind of support in tha City. Nevertheless, there are signs that the pre-Montford group is moving on the right lines, with beavy investment in new plant. These activities suffered in 1984 from the diversion of management efforts elsewhere but there are hopes of a batter 1985. At least Palma has felt confident enough to stand by its promise of a 2p total dividend. Shareholders must be hoping that this will not look like a reckless gesture in e year's time. Tha shares, up 1p to 35p, yield 8 per cent.

Foframe acquires Cindico from receivers

By Martin Dickson

Cindice, a manufacturer of nursery equipment which called in the recievers three months ago, has been taken over by Foframe, a Huntingford-based picture and photo frame company.

Cindico, based in North Humberside and which had been quoted on the over-the-counter market made by Granville and Co since 1983, manufactures equipment such as pushchairs and baby bouncers which are retailed through mail order bouses and major High Street chains. It employs some 200 people.

Foframa would not reveal the price paid to the joint receivers, Mr John Ayre and Mr Bill Roberts of Ernst and Whinney.

Mr Benjamin Perl, Foframe's chairman, said be was under taking a comprehensive review of Cindico's product range and boped to double or triple sales within the next year or so. "We are basically a marketing organisation and we believe we can do a good job with Cindico," ba said.

Cindico lost £676,000 pre-tax in the year to December 1983, on turnover of just over £6m, and £75,000 in the first six months of last year.

Tyne Tees TV dives and omits interim

DESPITE A reduction of some £2.25m in Exchequer Levy Tyne Tees Telivision Holdings saw its pre-tax profits fall by £952,000 to £1.06m in the half year ended March 31 1985.

The interim dividend is being imitted—shareholders received 3p net at this stage last year.

Turnoved for the six months slipped from £24.97m to £24.78m. Sir Ralpb Sarr-Ellison, the chairman, says tha marginal reduction bere reflected tha depressed level of TV advertising revenue throughout the industry since last October.

He warns that revenna from this source is unlikely to show any substantial growth before the end of the group's financial year and that current prospects are "poor."

However, shareholders are told that steps being taken to restructure the group's activities, with tha resultant benefits in operational flexibility and cost savings, will improve profitability.

Sir Ralpb comments, therefore, that the longer term outlook remains "encouraging" even if advertising revenue does not reach levels previously forecast.

With a view to equalising profits before the first and second halves the directors are considering changing the accounting period to a calendar yaar basis by extending the current year to December 31 1985.

Pre-tax profits for the opening six months were after deducting Chinnel 4 subscription charges of £4.49m (£4.36m) and Exchequer Levy of £250,000 (£2.51m). Interest added £134,000 (£219,000).

Tax took £501,000 (£1.09m) to a net balance of £558,000 (£923,000).

Tyne Tees came to the USM in December 1983.

● comment

It is hardly surprising that Tyne Tees is suffering more than most independent television stations from the weakness of advertising revenue since last October. Indeed the near 50 per cent fall in pre-tax profits was less severe than had been expected in at least some corners of the City. But the decision not to pay a dividend, underlining the company's gloomy view of prospects for the rest of tha year, was too much for the market to bear and the shares fell 17p to 123p. Thare is every reason to expect them to fall further—the shares have for some time been seen as incoma stock, typically yielding 9 per cent and more. Now thare is a real possibility that last year's 10.5p net dividend might be cut to say 5.25p, bringing the prospective yield down to about 6 per cent. The only consolation is that with its own sales force in place Tyne Tees will be in a better position to make the most of an upturn in advertising. Few in the industry are prepared to predict when that might happen.

MINING NEWS

CRA forecasts substantial improvement in earnings

BY KENNETH MARSTON, MINING EDITOR

A "SUBSTANTIAL improvement in earnings" for the Rio Tinto-Zinc group's Australian arm, CRA, is forecast for this year by Sir Roderick Carnegie, the chairman. He told the Melbourne meeting that tha increase would be despite making allowance for a very large provision for unrealised currency exchange losses.

Last year started well for CRA with first half profits up by almost 14 per cent, belped by a surge in demand for iron ore. In the second half, however, the group went into the red and emerged from 1984 with a reduced net profit of A$29.5m for the full year compared with A$71.5m in 1983.

Sir Roderick said that the profit earned during tha first quarter of this year was modest, but ba pointed out that metal prices were edging higher, group production was up and the weakness of the Australian dollar would benefit mining income.

He stressed, however, that the decline in the Australian dollar would not be the bonanza for mining companies such as CRA as had been suggested. Revenue gains in Australian dollars from exports by CRA, he said, would be offset by the additional cost of imported goods and equipment.

There would also be higher costs for servicing foreign borrowings and the increased revenues would attract higher domestic tax. "Combined, these offsets leave only a relatively small residual for shareholders," he added.

Sir Roderick once again stressed Australia's need to be more competitive in world markets. "Our competitors overseas generally do not face the combination of excessive taxes and charges, the restrictive labour markets and high unit labour costs and the level of industrial disputation that are common in Australia."

Asarco wins backing for anti-takeover measures

Asarco, the major U.S. mining and refining company, has won the day in its second attempt to obtain shareholder appreval for measures designed to ward off takeover moves, notably the bid approacb recently launched by Mr Robert Holmes à Court, tha Australian entrepreneur.

The reconvened meeting of shareholders in New York approved by an overwhelming majority three proposals which double the number of authorised common shares to 80m, reclassify the terms of service of directors and alter the voting rights.

These proposals have been dispnted by Mr Holmes à Court, who was not present at the lightly attended meeting. He has also challenged the right of Asarco to accept proxy votes from the 44 per cent-owned MIM Holdings which has a stake of some 19 per cent in Asarco.

Mr Ralph Hennebach, the Asarco chairman, said that the margin by which the proposals were passed was greater than the number of voting shares held by MIM Holdings.

Mr Holmes à Court has been previously reported to have acquired some 8.9 per cent of Asarco but his representative at the meeting could not comment on whether this stake had been increased.

After the meeting Mr Richard Osborne, the Asarco president, was asked wby tha U.S. price of copper had recently retreated. He thought that this was a temporary phenomenon, pointing out consumption continnes to rise above static production and stocks are declining.

MINING NEWS IN BRIEF

South Africa's Transvaal Consolidated Land and Exploration has raised earnings for the balf-year to March 31 1985 to R51.1m (£21.2m), or 456 cents per share, compared with R39.7m a year ago.

The interim dividend is increased by 10 cents to 85 cents and the company says that as second half operating profits are expected to be in line with those of the first six months the total payment for the year will exceed the 1983-84 total of 280 cents. Mining revenue has benefited from the fall in the rand against the U.S. dollar while the property division's profits have held up well.

* * *

The Canadian gold-producing Lac Minerals is declaring an unchanged dividend of 30 cents (18p) for 1985, payable in two half-yearly instalments. The first payment of 15 cents will be made on June 3 to shareholders of record on May 15.

* * *

The Canadian state-owned copper and zinc-producing Kidd Creek Mines earned C$1.7m (£1m) in the first quarter, compared with a loss of C$1.7m a year ago. The improvement reflects the drive to reduce costs coupled with rednced interest cbarges, a gain on the sale of an investment and lower taxes.

The compeny's C$66m expansion programme, dne to be completed in 1988, will further reduce costs and raise annual copper smelting and refinery capacity to 90,000 tonnes from 59,000 tonnes and increase zinc plant output to 127,000 tonnes from 120,000 tonnes.

* * *

The Que River zinc-lead-silver mine in Tasmania, owned by Aberfoyle (90 per cent) and Paringa Mining and Exploration (10 per cent) is to increase annual ore production from 220,000 tonnes to 300,000 tonnes. This follows agreement in principle for Electrolytic Zinc of Australasia to raise its contractual purchases of ore to about 290,000 tonnes of ore per year from early 1986 until 1991. The Que River partners have an option to extend sales contracts for a further five years beyond 1991.

* * *

Full production is expected to be reached at the end of next month at the Paddington gold mine in Western Australia of Pancontinental Mining. The open-pit venture is expected to have an annuel gold output of about 90,000 oz, making it one of Australia's major producers.

FINANCIAL TIMES
Wednesday May 8 1985

Seeds of doubt on Soviet harvest, Page 36

WALL STREET

Weakness in bonds cuts gains

A MILDLY disappointing session was experienced by Wall Street yesterday, when sharp gains in stock prices were cut back before the close as the bond market weakened while awaiting news from the day's auction of $8bn in three-year Treasury securities, *writes Terry Byland in New York.*

The bond market started the session confidently as the Treasury's $20.5bn funding programme opened but early gains of one eighth of a point were replaced by minor losses towards the end of the session.

The appearance of a few buyers for selected blue chips, after the prolonged period of lacklustre trading, pushed the stock market ahead strongly at first.

However, a rise of more than 10 Dow points was reduced by the close, when the Dow Jones industrial average was up 4.97 at 1,252.76.

Chemical and pharmaceutical stocks moved up, helped both by a slackening in the dollar's renewed strength and by analysts' recommendations. Turnover in the market improved but institutional interest remained thin.

IBM provided a good lead, with a gain of $1 to $125¾, but trading in the stock was on a moderate scale. Also firmer among technology stocks were Honeywell, $⅝ higher at $57½ and Burroughs, $1⅛ up at $60.

Airline issues rallied after several poor trading sessions. Pan Am recouped its $⅛ fall to stand at $5⅛. American Airlines added $⅛ to $41⅛ and Delta $½ to $42⅞. *The weak feature, however, was* United, which dipped $¼ to $43¼ as the market braced itself for a strike by its pilots.

Oils held on to their recent gains, with the exception of Mobil, $¾ down at $31⅞ on disappointment that the expected restructuring seems to stop short at the Montgomery Ward retail subsidiary. Atlantic Richfield was unchanged at $63 as the stock buy-back plan continued.

Among bid stocks, there was heavy turnover in Uniroyal, the tyre manufacturer which has arranged a $22 a share leveraged buyout to fight off Mr Carl Icahn's unwanted bid. At $19¾, Uniroyal slipped $⅛.

CBS at $109 added $¾, still hoping that the $2bn deal with Mr Rupert Murdoch would enable Metromedia to seek fresh acquisitions.

Tribune, which will benefit if Mr Murdoch is obliged to sell or close his newspapers in Chicago and New York as part of his acquisition of Metromedia television networks, added $⅝ to $44⅜.

Turner Broadcasting, the quoted media company of Mr Ted Turner, who is bidding for CBS, remained unchanged at $19 after disclosing a loss for the first quarter.

Bristol-Myers stood out among pharmaceuticals with a gain of $½ to $58¼. Merck added $⅞ to $99⅞, and Pfizer, also a dollar-influenced stock, $⅛ to $45½. In chemicals, Monsanto gained $⅞ *to $48⅞.*

An abrupt about-face in tobacco stocks brought sharp gains in the leading names as worries about pending cancer death legal suits faded. At $74⅝, R. J. Reynolds regained $1⅛ of its recent loss, while Philip Morris, number one U.S. cigarette manufacturer, also gained $1¼ to $83¼. There was heavy trading in *BATs, the UK tobacco group, with a 1m* share block changing hands at the overnight price of $3⅝.

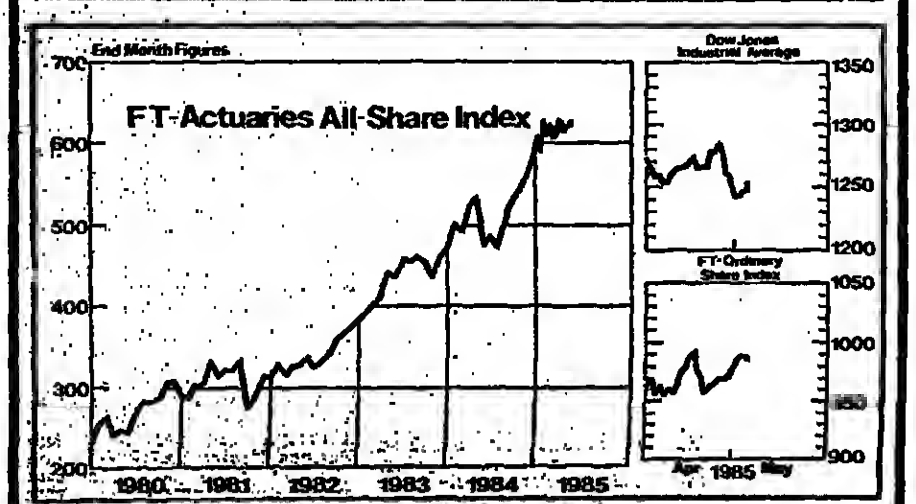
The prospect of lower interest rates helped stocks in the banks, which benefit from lower funding costs and have been able to hold their own prime lending rates unchanged. Bankers Trust gained $1⅞ to $66⅛. J. P. Morgan at $48¼ added $⅛ and Chase Manhattan was $⅛ up at $54⅞.

Insurance stocks also firmed, but the exception was Geico, which fell $4¼ to $68, reportedly after being tipped a "sell" by a leading investment bank.

In the credit market, rates continued to fall behind a Federal funds rate coasting around 8 per cent. At 7¹¹⁄₁₆ per cent, the Fed announced two-day system repurchases.

But the chief preoccupation was the auction at noon of three-year Treasury notes. The bond market turned cautious as it awaited the outcome of the auction. The key long bond was a shade easier than overnight, and retail interest was at a standstill.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	May 7	Previous	Year ago
DJ Industrials	1,252.76	1,247.79	1,166.56
DJ Transport	588.46	587.36	508.85
DJ Utilities	157.67	155.47	127.02
S&P Composite	180.78	179.99	159.47
LONDON			
FT Ord	985.8	989.9	904.8
FT-SE 100	1,305.5	1,310.9	1,134.0
FT-A All-share	629.36	630.94	527.29
FT-A 500	690.13	692.62	576.10
FT Gold mines	470.4	483.3	632.8
FT-A Long gilt	10.73	10.60	10.45
TOKYO			
Nikkei-Dow	12,506.30	12,451.79	11,159.0
Tokyo SE	979.99	972.54	874.5
AUSTRALIA			
All Ord.	878.2	875.1	755.1
Metals & Mins.	556.9	554.2	523.2
AUSTRIA			
Credit Aktien	90.18	87.63	54.95
BELGIUM			
Belgian SE	200.58	2,205.19	—
CANADA			
Toronto			
Metals & Mins	1,932.78	1,936.4	2,036.0
Composite	2,615.41	2,615.0	2,324.5
Montreal			
Portfolio	128.85	128.83	113.25
DENMARK			
Copenhagen SE	184.73	187.59	198.79
FRANCE			
CAC Gen	217.3	216.3	180.5
Ind. Tendance	118.8	118.6	93.8
WEST GERMANY			
FAZ-Aktien	425.65	423.77	355.68
Commerzbank	1,241.8	1,236.3	1,038.0
HONG KONG			
Hang Seng	1,593.26	1,596.43	953.7
ITALY			
Banca Comm.	281.19	281.19	212.06
NETHERLANDS			
ANP-CBS Gen	212.0	213.0	164.0
ANP-CBS Ind	173.2	173.1	131.3
NORWAY			
Oslo SE	325.80	326.28	293.41
SINGAPORE			
Straits Times	789.31	790.09	982.53
SOUTH AFRICA			
JSE Golds	—	1,025.4	945.4
JSE Industrials	—	894.4	993.6
SPAIN			
Madrid SE	109.82	109.77	84.41
SWEDEN			
J & P	1,445.97	1,441.04	1,535.73
SWITZERLAND			
Swiss Bank Ind	427.1	425.6	382.9
WORLD	May 6	Prev	Year ago
Capital Int'l	200.8	200.9	189.2

GOLD (per ounce)

	May 7	Prev
London	$314.50	$312.75
Zürich	$313.50	$309.75
Paris (fixing)	$309.27	$308.32
Luxembourg	$310.40	$310.50
New York (June)	$316.50	$310.50

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	May 7	Previous	May 7	Previous
$	—	—	1.218	1.206
DM	3.1665	3.2185	3.8575	3.89
Yen	252.85	253.65	307.0	306.75
FFr	9.65	9.805	11.755	11.8575
SwFr	2.6605	2.7095	3.25	3.2775
Guilder	3.5775	3.637	4.36	4.3925
Lira	2,020.0	2,044.5	2,452.0	2,470.0
BFr	63.55	64.65	77.4	78.1
C$	1.3805	1.378	1.682	1.666

INTEREST RATES

	May 7	Prev
Euro-currencies (3-month offered rate)		
£	12⅞	12¾
SwFr	5¼	5¼
DM	5⅝	5⅞
FFr	10⁷⁄₁₆	10½
FT London Interbank fixing (offered rate)		
3-month U.S.$	8½	8⅞
6-month U.S.$	8¹³⁄₁₆	9
U.S. Fed Funds	8*	7⅞
U.S. 3-month CDs	8.05*	8.10
U.S. 3-month T-bills	7.72*	7.73

U.S. BONDS

Treasury		May 7* Price	May 7* Yield	Prev Price	Prev Yield
9¾	1987	100⁷⁄₃₂	9.63	100⁴⁄₃₂	9.66
11⅞	1992	103¹⁷⁄₃₂	11.00	103¹⁴⁄₃₂	11.03
11¼	1995	100²⁹⁄₃₂	11.13	100¹⁴⁄₃₂	11.15
11¼	2015	99²⁹⁄₃₂	11.26	99²⁴⁄₃₂	11.28

Corporate	May 7* Price	May 7* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	97⅛	11.10	96⅞	11.20
3⅞ July 1990	77¾	9.40	77½	9.50
8⅜ May 2000	78⅛	11.85	77⅞	11.95
Xerox				
10⅞ March 1993	93.839	11.80	93.589	11.90
Diamond Shamrock				
10⅜ May 1993	93⅛	12.00	92⅝	12.10
Federated Dept Stores				
10⅞ May 2013	88.503	12.00	88.253	12.10
Abbot Lab				
11.80 Feb 2013	97.436	12.05	97.186	12.15
Alcoa				
12⅛ Dec 2012	97.545	12.50	97.295	12.60

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	72–15	72–19	72–03	71–31
U.S. Treasury Bills (IMM) $1m points of 100%				
June	92.28	92.33	92.24	92.27
Certificates of Deposit (IMM) $1m points of 100%				
June	91.83	91.87	91.72	91.75
LONDON				
Three-month Eurodollar $1m points of 100%				
June	91.45	91.45	91.34	91.34
20-year Notional Gilt £50,000 32nds of 100%				
June	105–04	106–12	105–04	106–10

COMMODITIES

(London)	May 7	Prev
Silver (spot fixing)	509.10p	508.65p
Copper (cash)	£1,339.00	£1,277.50
Coffee (May)	£2,137.50	£2,183.00
Oil (spot Arabian light)	$27.05	$27.20

LONDON

Money data deal a sharp blow

MONEY SUPPLY figures dealt a sharp blow to London yesterday afternoon. The announcement that sterling M3 may have risen by as much as 3 per cent for April and that bank lending had accelerated fiercely during the same period stunned the gilt-edged market.

The tone in government securities, which had ebbed and flowed earlier with the fluctuation in sterling, was immediately transformed. Nervous selling persisted and tentative recovery attempts in longs failed to last. Shorts also encountered pressure and finished up to ¹¹⁄₁₆ down, although index-linked stock was only marginally easier.

The late rally in sterling failed to reverse the gilt trend and proved a dampener on *leading international* equities.

The FT Ordinary index, up 4.8 ahead of the bank data, finished a net 4.1 down at 985.8.

Situation and speculative equities commanded considerable early attention but enthusiasm waned.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32-33

HONG KONG

ISOLATED profit-taking developed in Hong Kong as the Hang Seng index slipped 3.17 to 1,593.26.

Banks and property issues were active following reports that leading banks are cutting mortgage rates. Bank of East Asia rose 10 cents to HK$ 24.90 and Hongkong Bank firmed 5 cents to HK$8.20 but Hang Seng Bank moved against the trend with a 25-cent decline to HK$47.75.

Among property issues, Hang Lung retreated 15 cents to HK$6.25 while Hongkong and Kowloon Wharf closed 20 cents higher at HK$6.85. Trading was suspended in Overseas Trust Bank, Industrial & Commercial Bank and Hong Leong pending an announcement.

SOUTH AFRICA

A RALLY in the bullion price provided a late boost to Johannesburg gold shares although some of the early weakness persisted in places.

Buffels at R80.50 and Kloof at R74 suffered a decline of R1 each, while Driefontein eased 50 cents to R49.75. Free State Geduld resisted the easier trend and finished unchanged at R53.

Mining financial Anglo American Corp rebounded from an early 25-cent fall to finish unchanged at R25.75.

CANADA

AFTER an early advance, Toronto prices slipped back, reflecting the mood on Wall Street, and closed only marginally higher in strong trading.

The composite index, up more than eight points at midsession, finished at its low of 2,615.41, only 0.43 higher.

Utilities outperformed the rest of the market with a strong advance while golds and oils dipped slightly.

Montreal also shed early gains to close only 0.02 up at 128.85.

SINGAPORE

THIN featureless trading induced a measure of caution in a lethargic Singapore that took the Straits Times industrial index down 0.78 to 789.31.

Among the actives, Promet rose 5 cents to S$1.50 and Palmco held steady at S$1.07. Sime Darby, third most active, edged 4 cents ahead to S$1.98. Dah Yung, which proposed bonus and rights issues, gained 3 cents to S$2.43 in light volume.

EUROPE

Banks are judged a safe haven

STRONG domestic and foreign demand for bank stocks, ahead of a series of annual shareholders' meetings this week and next, helped Frankfurt to advance to a second successive record high yesterday.

The midsession calculation of the Commerzbank index, up 5.5 at a best-ever 1,241.8, reflected the day's best price levels.

A belief that weak U.S. economic growth will bring interest rates down also helped the banks, whose stocks are seen as relatively cheap at current levels.

Much of the foreign buying was by Swiss investors, whose interest had been whetted by the success of West German banks in 1984 and in the first quarter of the current year.

In late trading, however, the lower tone of the dollar reinforced caution over prospects for the strongly export-orientated companies which have led the bourse higher in recent weeks, and a mixed to lower close was seen in the market overall.

Deutsche Bank was DM 8.20 higher at DM 473.50, Dresdner Bank rose DM 8 to DM 223.50, Commerzbank put on DM 8.30 to DM 177 and Bayerische Vereinsbank added DM 3 to DM 345.

The motor manufacturers were mixed with Daimler 50 pfg higher at DM 681.50 and BMW rising DM 3 to DM 387. But VW fell DM 1.40 to DM 210.20 as its Audi subsidiary reported a difficult first quarter. Porsche shed DM 10 to DM 1,212.

In the chemicals sector, Bayer fell DM 1.30 to DM 212.20 despite the announcement of a 28.9 per cent rise in first-quarter pre-tax profit. BASF shed 50 pfg to DM 203.40 and Hoechst 90 pfg to DM 211.50.

In the electrical sector, Siemens was DM 2.50 lower at DM 540 and AEG fell 80 pfg to DM 110.80. The high-technology sector was mixed with PKI DM 6 higher at DM 626, while Nixdorf fell DM 1.20 to close at DM 586.80, after partially recouping an opening DM 5 loss.

Bond prices firmed with some buyers encouraged by the prospect of currency gains as the dollar retreated. The Bundesbank sold a large DM 91.8m of paper after sales totalling just DM 29m on Monday.

Zurich continued firm, in active trading, with insurers and some banks leading the advance.

Swiss Re and Zurich Insurance both posted SwFr 100 gains to SwFr 10,900 and SwFr 24,900 on continued foreign demand. Among the banks, Baer Holdings also put on SwFr 100 to SwFr 7,575.

Leading financials were little changed but recently depressed Jacobs recovered SwFr 85 to SwFr 5,875.

Industrials were mixed, but with a firmer bias. Among engineerings, Saurer added SwFr 1 to SwFr 249 following Monday's press conference on results. Fischer was SwFr 8 ahead at SwFr 788 but Brown Boveri was off SwFr 15 at SwFr 1,815.

Foods were steady with Nestlé SwFr 30 higher at SwFr 6,800 ahead of today's results meeting.

Bond prices were mixed to lower.

Paris also edged higher although trading was thin. Lesieur, however, fell FFr 3 to FFr 721 as the edible oil manufacturer announced that a subsidiary was to shed 20 per cent of its staff and close a plant near Marseilles in an effort to reduce losses.

Amsterdam fell back from the peak level set on Monday with the ANP-CBS general index down 1.0 at 212.0. Some of the largest losses were recorded by the international companies in reaction to the dollar's decline.

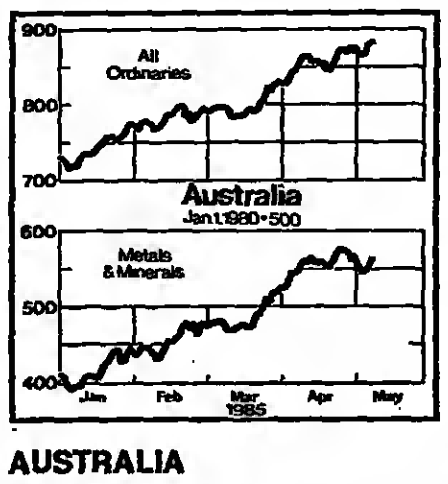
Philips shed 40 cents to Fl 56.30 ahead of first-quarter results, due to be announced today. Unilever was Fl 2.70 lower at Fl 351.80 and Royal Dutch gave up Fl 1.10 to Fl 209.70.

Shipper Van Ommeren fell 50 cents to Fl 29.60 ahead of its annual report which came after the bourse had closed. Nedlloyd was Fl 1.10 lower at Fl 170.50.

Bond prices were higher, regaining ground lost on Monday. However, volume was low ahead of the results of the first stage of the U.S. Treasury's quarterly refinancing later in the day. Investors were looking for an indication of how near-term open market interest rates may move.

Brussels was lightly lower as a number of shares began trading ex-dividend. **Milan** was mixed as liquidation of speculative positions prevented any continuation of Monday's advance.

Stockholm was mixed while **Madrid** posted a moderate advance in light trading.



AUSTRALIA

THE RECORD pace in Sydney was inspired by institutional support for industrial issues that took the All-Ordinaries index 3.1 higher to an all-time peak of 878.2.

A stronger Australian dollar provided a boost to the market but weaker international bullion prices are likely to take their toll later in the week.

News Corporation, which surged A$1.10 on Monday after Mr Rupert Murdoch's expansion plans in the U.S., fell 30 cents to A$8.40 on profit-taking.

BHP, also actively traded, picked up 8 cents to A$6.46, while CRA gained 4 cents to A$6.44 after optimistic forecasts from the board.

CSR dipped 8 cents to A$2.93, while Western Mining retreated from an early high to finish unchanged at A$4.15.

Santos edged 4 cents higher to A$6.20 after forecasts from the annual meeting that earnings will surge in 1985 and that first-quarter profits are on target.

TOKYO

Overseas omens cast a shadow

THE UNCERTAINTY overshadowing the U.S. economy and the outlook for stock prices on Wall Street drove many investors to the sidelines in Tokyo yesterday and dragged the market down, *writes Shigeo Nishiwaki of Jiji Press.*

Investors selectively bought shares which would benefit from the imminent deregulation of aviation and telecommunications and some highly speculative stocks, selling them for immediate gain.

The Nikkei-Dow market average fell back 38.95 to 12,506.30 on a volume of 279m shares, down sharply from 353m *last Thursday. Losses* outnumbered gains by 419 to 328 with 160 issues unchanged.

Many institutional investors stayed away from the market, concerned about the impact of the U.S. economic slowdown and lower U.S. corporate earnings. They were also waiting for news good enough to boost prices further as the market had by last weekend recouped 78 per cent of the losses recorded between the all-time high of April 3 and the low of April 18.

Foreign activity was also slack, with buy orders placed with the four leading securities houses totalling only 7.5m shares and sell orders 9.5m.

Among stocks to find some favour, Japan Air Lines added Y350 to Y7,100, KDD Y1,900 to Y32,200 and Toho Y1,100 to Y12,800. But the issues' attraction seemed to lie in the quick profits that speculators expected to make from their volatility.

Some incentive-backed issue were also bought selectively. Toyo Soda topped the active list with 11.3m shares on its move into the field of magnetic discs. The stock rose Y7 to Y394.

Deregulation-related issues were also actively traded. Tokyu Corporation, ranking second on the active list with 10.41m shares, opened firm but fell back on late profit-taking to close at Y394 for a net loss of Y2. All Nippon Airways, third most active with 9.16m shares, gained Y13 to Y498.

Construction issues also drew strength from the approaching deregulation. Heiwa Real Estate climbed Y23 to Y900, Tokyu Construction Y24 to Y417 and Mitsubishi Estate Y3 to Y655.

Blue-chips were mixed. Pioneer rallied Y60 to Y2,180 after having dropped on forecasts of sharply lower profits for the period ended last March. But most other quality issues eased on small-lot selling. Sony slid Y20 to Y4,240 and TDK Y100 to Y5,400.

Most institutional investors shied away from the bond market. Fund managers at financial institutions and large corporations were awaiting the outcome of the auctions of $20.5bn of U.S. Treasury securities to be held from yesterday to tomorrow. Trading was negligible with the yield on the benchmark 7.3 per cent government bond due in December 1993 remaining unchanged at 8.58 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13	AAR	.48	2.8	13	157	17	16¾	17	+⅜
18¼	8⅝	AGS			16	161	15	14¾	15	+⅛
10⅛	8⅝	AMCA				25	11	10⅝	10⅞	+⅛
21½	13¾	AMF	.50	2.5	58	561	19⅞	19½	19⅝	−¼
43¼	24¼	AMR			9	2354	41¼	40⅞	41	
21⅜	18⅝	AMR pf2.18		10.		138	21½	21	21	−⅛
14¼	7¾	APL			35	18	8¼	8	3⅛	+⅛
65¼	44⅝	ASA		2	8.0	362	51⅛	50⅞	51⅛	+1⅛
27	14⅛	AVX	.32	2.2	12	67	14⅝	14⅛	14⅝	+⅛
24⅞	18	AZP	2.72	12.	7	5053	23⅝	22½	23	−¾
54	36¾	AbtLab	1.40	2.7	15	1547	52	51⅜	52	+⅝
25⅞	17	AccoWd	.44	2.0	17	1285	22	21¾	22	−⅝
21⅞	12⅛	AcmeC	.40	2.7		40	14⅝	14¼	14⅝	+⅜
10½	8¼	AcmeE	.32b	3.8	10	20	8½	8⅜	8⅜	−¼
17⅜	15	AdaEx	1.92e	12.		96	16⅞	16⅝	16⅝	
20	11⅞	AdmMl	.32	2.1	3	75	15⅜	14¾	15¼	+¾
10½	6⅝	AdvSys	.53t	5.3	15	68	9⅞	3½	3½	
41⅛	20⅛	AMD			12	6837	28¼	26½	27⅞	+1¼
12¾	6⅞	Advest	.12	1.4		27	6¾	8½	6⅝	
14⅝	6⅝	Aerflex			11	133	12⅛	12	12	
44½	27¼	AetnLf	2.04	0.8	32	6562	44⅛	43¾	44	+⅛
58¾	52⅜	AetL pf5.83e		11.		15	55⅝	55⅜	55⅝	−⅜
35	15¾	Ahmns	1.20	3.6	13	1332	33	32⅝	33	
4⅛	2½	Aileen			22	20	2⅞	2⅞	2⅞	
51	36⅝	AirPrd	1.20	2.5	11	665	43¼	47½	47⅞	
24½	15	AirbFrt	.60	3.3	10	210	10½	17⅞	10	
[illegible]										

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47½	33¼	Xerox	3	6.5	19	1257	46⅝	45¾	46⅛	+⅛
52½	45¼	Xerox pf	5.45	18.		3	52½	52¼	52¼	−⅛
30	24	ZaleCp	1.32	4.8	9	20	27¼	27	27¼	+¼
23⅛	19¼	ZalepIA	.00	3.8		1	21	21	21	+⅛
24⅝	13⅝	Zapata	.64	8.5	25	1268	13⅞	d13	13	−1
82¾	32	Zayre	.40b	.7	15	481	61⅜	00	60¾	+1
30⅝	18⅛	ZenithE			9	880	20¼	19¾	20	−¼
21⅞	14⅜	Zero s	.32	1.T	17	102	18⅜	18½	18½	
31⅝	21⅛	Zurnin	1.32	4.4	11	47	50	29¾	80	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

May. 7	Price Sch%	+ or —
Creditanstalt	327	+6
Doesser	660	+15
Interunfall	800	+31
Laenderbank	614	+12
Perlmooser	556	+25
Steyr-Daimler	187	+12
Veitscher Mag	504	+24

BELGIUM/LUXEMBOURG

May 7	Price Frs.	+ or —
B.B.L.	1,890	+10
Banq. Int. A. Lux.	6,150	....
Bekaert B	6,400	—150
Ciment CBR	2,390	+10
Cockeril	223	—4
Delhaize	8,000	+10
EBES	2,805	—270
Electrobel	8,580	—30
Fabrique Nat	1,900	....
GB Inno BM	5,030	—525
GBL (Brux)	1,920	—20
Gevaert	5,605	—143
Hoboken	6,520	....
Intercom	2,156	—15
Kredietbank	8,110	—90
Pan Hldgs.	10,930	....
Petrofine	2,810	+10
Royale Belge	11,600	—00
Soc. Gen. Banq	8,090	....
Soc. Gen. Belge	1,850	—10
Sofina	6,770	—340
Solvay	4,150	....
Stanwick Intl.	1,580	....
Tractionel	3,886	—16
UCB	4,360	—640
Wagon Lits	8,050	....

DENMARK

May 7	Price Knr %	+ or —
Andelsbanken	690	+5
Baltic Skand	623	....
CopHandelsbank	252xr	....
D. Sukkerfab	333	+10
Danske Bank	663	+3
De Danske Luft	1,150	—45
East Asiatic	208	+1
Forenede Bryg	990	....
Forenede Damp	132	+5
GNT Hldg	425	....
I.S.S.B.	420	—10
Jyske Bank	595	....
Novo Ind	1,520	....
Privatbanken	253	+3
Provinsbanken	850	+5
Smidth (F)	242	....
Sophus Berend	1,030	+3
Superfos	456	—7

FRANCE

May 7	Price Frs.	+ or —
Emprunt 4½% 1973	1,686	—24
Emprunt 7% 1973	8,533	—6
Accor	678	+6.8
Air Liquid	624	....
BIC	510	—7
Bongrain	1,885	+10
Bouygues	710	+1
BSN Dervais	6,626	+1
DIT-Alcatel	1,350	+6
Carrefour	2,150	+3
Club Mediter'n	674xc	....
Cie Bancaire	585xc	....
Cofimeg	288	....
Damart	0,347	+47
Darty	1,625	+17
Dumex S.A.	608	—10
Eaux (Cie Gen)	630	+1

GERMANY

May 7	Price Dm.	+ or —
AEG-Telef	110.8	—0.8
Allianz Vers	1255ar	+60
BASF	603.4	—0.3
Bayer	212.2	—1.2
Bayer-Hypo	355	+5.5
Bayer-Verein	345	+6
BHF-Bank	294	+1
BMW	667.3	+5
Brown Boveri	212.8	+5.8
Commerzbank	177	+6.5
Cont'l. Gummi	156.9	+0.4
Daimler-Benz	681.6	+0.6
Degussa	550	+2.5
D'sche Babcock	162	+1.2
Deutsche Bank	478.5	+6
Dresdner Bank	625.5	+8
DHH	160.8	—0.7
Hochtief	470	—5
Hoechst	211.6	—0.2
Hoesch Werke	108	—1.3
Holzmann (P)	435	—1
Horten	168	—1
Hussel	291	....
Karstadt	827.8	+1
Kaufhof	228	—6
KHD	251xr	—2.5
Kloeckner	70.6	—1.4
Linde	428	+2
Lufthansa	189	+0.3
MAN	146	—5.5
Mannesmann	153.2	+0.2
Mercedes Hld.	598	+0.2
Metallgesel	254	—1
Munech Rueck	1,652	—28
Nixdorf	586.8	—1.8
Porsche	1212	—10
Preussag	275.5	+2.6
Rhein West Elect	158	+1
Rosenthal	264.8	+0.8
Schering	441.2	—0.8
Siemens	540	—6.6
Thyssen	29.1	+0.1
Varta	177	—0.8
Veba	180.5	—1
V.E.W.	127.5	—0.6
Verein-West	313	+1
Volkswagen	210.2	—1.4

ITALY

May 7	Price Lira	+ or —
Banco Com'le	17,200	—50
Bastogi-IRBS	208.7	+6.7
B.I-Invest	5,370	—50
Centrale	6,665	—40
Credito Varesine	5,873	—25
Fiat	0,990	+40
Finsider	61	—1
Generali Assicur.	44,200	—300
Italcementi	86,850	—50
La Rinascente	680.6	+2.5
Montedison	1,001	—21
Olivetti	6,660	+100
Pirelli Co	6,765	—20
Pirelli Spa	2,650	....
Snia BPD	0,790	—0
Toro Assic	13,880	+30
do Pref	10,100	—45

NETHERLANDS

May 7	Price Fls	+ or —
ACF Holding	018	+8
AEGON	184.5	—0.6
Ahold	623.6	—1.6
AKZO	111.7	—0.6
ABN	428.5	—0.6
AMEV	241	....
AMRO	73.8	+0.2
Bredero Cert	163	....

NORWAY

May. 7	Price Kroner	+ or —
Bergens Bank	148	—3
Borregaard	672.3	....
Christiania Bank	141	—0.5
DenNorske Cred	148.5	—0.6
Elkem	145.5	+0.2
Kvaerner	179	—8.3
Norsk Data	406	+6.3
Norsk Hydro	112	—0.6
Storebrand	260.3	+4.8

SPAIN

May 7	Price Pta%	+ or —
Bco Bilbao	341	....
Bco Central	524	+2
Bco Exterior	203	....
Bco Hispano	164	....
Bco Popular	361	....
Bco Santander	336	+1
Dragados	169	+1
Hidrola	85.5	—0.6
Iberduero	94	—1
Petroleos	166.6	+1
Telefonica	112.6	+1.5

SWEDEN

May 7	Price Kronor	+ or —
AGA	420	....
Alfa-Laval	202	+4
ASEA (Free)	536	....
Astra (Free)	440	+2
Atlas Copco	116	+1
Cardo (Free)	265	—6
Cellulosa	126	....
Electrolux B	612	+1
Ericsson	285	—3
Esselte	555	+10
Mo och Domsjo	247	....
Pharmacia	161	—1
Saab Scania Free	456	....
Sandvik	400	+5
Skandia	522	—1

AUSTRALIA (continued)

May 7	Price Aust.$	+ or —
Gen. Pro. Trust	2.5	+0.02
Hardie (James)	3.22	+0.02
Hartogen Energy	8.23	+0.12
Herald W'y Times	4.56	+0.03
ICI Aust	2	....
Jimberlana F.P	0.55	+0.01
Kia Ora Gold	0.15	....
Lend Lease	6.8	+0.12
MIM	3.83	+0.04
Mayne Nickless	5.08	+0.08
Myer Emporium	1.85	+0.08
Nat. Aust. Bank	5.9	+0.03
News	8.4xc	—0.05
Nicholas Kiwi	1.62	—0.03
North Bkn Hill	2.65	+0.05
Oakbridge	0.66	+0.01
Pancont'l	1.77	+0.02
Pioneer Conc	1.79	+0.04
Poseidon	4.05	—0.05
Queensland Coal	1.64	+0.02
Reckitt & Coln	5.5	+0.1
Repco	1.25	+0.01
Santos	6.2	+0.04
Smith (Howard)	4.73	+0.05
Thos. Nationwide	1.91	+0.01
Tooth	3.84	—0.02
Vamgas	4.22	+0.02
Western Mining	4.15	....
Westpac Bank	5.88	+0.01
Woodside Petrol	1.56	—0.01
Woolworths	5.12	+0.06
Wormald Intl	6.6	—0.05

HONG KONG

May 7	Price H.K.$	+ or —
Bank East Asia	24.6	+0.1
Cheung Kong	17.4	+0.5
China Light	13.4	+0.3
Evergo	0.88	....
Hang Seng Bank	47.75	—0.25
HK Electric	8.23	+0.05
HK Kowloon Wh.	6.65	—0.2
HK Land	6.75	—0.05
HK Shanghai Bk.	8.2xa	+0.05
HK Telephone	83	....
Hutchison Wpa	24.4	—0.1

JAPAN (continued)

SWITZERLAND

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices May 7

MONTREAL

Closing prices May 7

OVER-THE-COUNTER

Nasdaq national market, closing prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Appleyard	59	+ 7
Aust. Cons. Min	83	+ 7
Bridport-Gundry	138	+ 8
Brit Home St	293	+11
Concentric	73	+ 6
Eglinton O & G	100	+ 9
Higgs & Hill	340	+10
Int. Sig. & Cont	365	+10
MIM Hldgs.	188	+10
Muirhead	192	+ 8
National Oil	42	+10
Parker Knoll A	204	+15
Peko-Wallsend	248	+20
Polly Peck	280	+17
Rolfe & Nolan	150	+10
Steinberg	70	+ 6
Upton (E.) A	33	+ 6
Vickers	294	+18

FALLS

Tr 13% 1990	£105⁵⁄₁₆	—1½₁₆
Tr 13½% '04-08	£122⅛	—1⅛
Barton Trans	160	—25
Billam (J)	83	—10
Falcon Res	370	—40
Garnar Booth	223	—10
ICI	744	— 8
Minet Hldgs	227	— 6
Rowntree Mack	420	— 8
TSL Therm Synd.	300	—12
Thorn EMI	438	—17
Tyne Tees TV A	123	—17

Continued on Page 38

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

LONDON STOCK EXCHANGE

MARKET REPORT

Surge in money supply and bank lending leaves Gilt-edged securities weak

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 15	Apr 25	Apr 26	May 7
Apr 29	May 9	May 10	May 20
May 13	May 30	May 31	June 10

* "New-time" dealings may take place from 9.30 am two business days earlier.

Bad money supply figures were a nasty shock for London stock markets midway through the afternoon session yesterday. The 2.30 pm announcement that sterling M3 last month may have risen by as much as 3 per cent and that bank lending during the same period had accelerated fiercely to £2.6bn stunned the Gilt-edged market. Most analysts had predicted far more marginal increases in both, with estimates for sterling M3 ranging to a maximum of 1½ per cent.

The tone in Government securities, which earlier had ebbed and flowed with the movements in sterling, was immediately transformed. It changed from quietly firm to weak as dealers encountered sustained nervous selling which lowered selected high-coupon longs a point and sometimes more. Conditions eventually became calmer but tentative recovery movements failed to last and quotations after-hours were around the day's lowest. Shorter maturities also came under pressure and closed a maximum of 1½ lower, but index-linked stocks were only marginally easier.

Sterling's late rise—it rallied from an opening $1.1750 to close at $1.2180 against the dollar—failed to support the Gilt-edged sector. Simultaneously, the exchange rate rally reduced the attractions of international stocks with the result that leading shares backtracked from higher morning levels. The FT Ordinary share index was up 4.8 in front of the banking statistics but closed 4.1 down on the day at 985.8 despite strength in constituent Vickers on news that Reliance Financial Services of the U.S. had acquired a 5.5 per cent stake.

Situation and speculative equities commanded considerable attention early in the session, but enthusiasm waned from mid-morning onwards. Announcements of April's producer prices made little impact on equity market sentiment, being in line with expectations.

Minet weak

Lloyds Broker Minet featured Insurances with a fresh fall of 8 to a 1985 low of 227p following adverse comment. Others in the sector drifted down with PWS International closing a few pence off at 500p and Sedgwick 5 easier at 358p. Composites displayed no set pattern after a moderate business. Royals, scheduled to report first-quarter figures tomorrow, hardened a couple of pence to 585p, after 590p.

Strongly supported last week, clearers gave ground on sporadic profit-taking. Midland, which is following Lloyds' opportune move in the capital markets with a proposed $500m floating rate issue, eased 5 to 355p; Lloyds lost the same amount to 575p. Elsewhere, Australian banks moved up sharply on domestic and currency influences. ANZ advanced 13 to 263p as did National Australia and Westpac to the common level of 220p.

Leading Building issues made early progress despite a gloomy trade survey from the Building Employers Confederation. However, quotations eased back to close below the best. Blue Circle settled 3 dearer at 520p, after 522p, following publicity given to a broker's circular, while Costain firmed 4 to 376p, after 378p, awaiting today's annual results. Elsewhere, Higgs and Hill moved up 10 to 340p on hopes of a bid from Trafalgar House, but USM-quoted Access Satellite fell 14 to 250p following adverse Press comment. Among Timbers, buying ahead of the interim results, due shortly, lifted John Carr (Doncaster) 5 to 68p.

ICI, reflecting currency influences, moved up to 760p before reacting to close 8 cheaper on balance at 744p. Other Chemicals were selectively firm. Wolstenholme Rink rose 13 to 323p reflecting the successful rights issue, while Coates Brothers "A" gained 4 to 135p following a newsletter recommendation.

BHS feature

Early interest among leading Retailers centred on Marks and Spencer and British Home Stores, both of which revealed preliminary figures in the first hour of official trading. BHS attained a 1985 peak of 295p before settling 11 dearer on balance at 293p following profits at the top-end of market estimates. In contrast, Marks and Spencer, a shade firmer initially, closed a net 2 cheaper at 134p reflecting the cautious tenor of the accompanying statement. Other Store leaders drifted lower after-hours. Habitat Mothercare dipped 10 to 364p, while Debenhams, annual results scheduled for tomorrow, eased a few pence to 284p.

Secondary Stores presented an irregular profile. Revived speculative demand lifted last week's speculative high-flier Owen Owen 15 further to 225p, while Moss Bros hardened 10 to 485p. Favourable Press comment left Steinberg 6 to the good at 70p, while demand in a narrow market inspired by a newsletter recommendation saw E. Upton rise 6 to 42p with the "A" shares a like amount up at 33p. Lee Cooper, however, fell 7 to 120p after the full-year figures.

Shoes and Leather issues highlighted Garnar Booth which reacted to profit-taking after the annual results and dipped to 218p before closing a net 10 cheaper at 223p.

Thorn EMI, up 38 last week on persistent speculation of a bid from America's RCA, fell 17 to 438p following adverse comment on the group's consumer electronic business. Plessey softened a couple of pence to 188p and Racal 4 to 194p. British Telecom, however, improved 2 to 150p, after 150½p, as institutional interest was rekindled by investment comment. Elsewhere in Electricals, Muirhead advanced 6 to 192p, after 194p, on counter-bid hopes, while Goring Kerr rose 20 to 625p following revived demand in a restricted market. Forward Technology touched 40p before closing a penny dearer at 36p on the announcement that discussions are taking place which might lead to the sale of a subsidiary. International Signal and Control added 10 to 395p.

Vickers, reflecting confirmation of weekend reports that Reliance Financial Services had acquired a 5.54 per cent stake in the company, moved ahead smartly to 298p before settling at 294p for a rise of 18 on the day. Other leading Engineers showed little alteration, although TI firmed 4 to 244p on occasional interest. Elsewhere, news of the increased interim dividend and profits left Concentric 6 to the good at 73p while weekend Press mention stimulated further demand for Hopkinson, up 5 at 190p. Renold, also the subject of favourable comment, hardened 1½ to 54½p.

Leading Foods suffered from a lack of interest and drifted progressively lower. Northern Foods, a firm market on Friday following the sale of its North Country Breweries subsidiary to Mansfield Brewery for £40m cash, eased 4 to 242p, while bid favourite Rowntree Mackintosh encountered profit-taking and lost 8 to 420p. Among the second-liners, Albert Fisher gained 6 to 116p following Press comment, while Hazlewood rose ½ to £10½ in response to a newsletter recommendation.

Press suggestions that the late Dame Bridget D'Oyly Carte's holding in the company was unlikely to pass to Trusthouse Forte left Savoy A 10 down at 370p and the B 5 points lower at £85.

Barton Trans. down

Steady to firm for most of the session, leading miscellaneous industrials were marked lower in the late afternoon. Elsewhere, Barton Transport dipped 25 to 160p following sharply reduced interim profits, while news of an increased annual loss prompted a fall of 10 to 83p in J. Billam. In contrast, Rolfe and Nolan, reflecting a newsletter recommendation, advanced 10 to 150p. Weekend Press mention stimulated demand for Bridport Gundry, 8 to the good at 138p, and Relyon, 6 dearer at 102p. Parker Knoll A were also favoured and put on 15 to 204p. Eastern Produce rallied 8 to 320p, while Johnson Matthey, still reflecting recovery hopes, firmed 4 more to 90p. Polly Peck advanced 17 to 280p awaiting reports of a Press visit to its interests in Cyprus. Early speculative activity in Nurdin faded ... at 270p, after 275p, but bright spots included Eden International, 8 up at 98p, and Redfearn Glass, 5 better at 95p. Pentland closed unaltered at 730p; the company announced yesterday that it has been decided in principle to seek a U.S. quotation for its subsidiary Reebok of America. TSL Thermal Syndicate reacted 12 to 300p on profit-taking, while Star Computer were noteworthy for a fall of 5 to 53p.

Tyne Tees Television slumped 17 to 123p following disclosure of dismal half-year profits and passing of the interim dividend.

Motors lacked a decided trend. Jaguar were volatile and touched 289p before finishing 2 lower on balance at 284p. Among Components, Lucas Industries hardened a few pence to 270p, while "call" option business helped Jonas Woodhead, 2 firmer at 28p. Distributors featured Appleyard which responded to renewed speculative attention with a gain of 7 to 59p. Adams and Gibbon closed 4 up at 248p following the dividend forecast enclosed in the latest rejection of the offer from Keep Trust.

Among firmer Publishers, United Newspapers closed 7 up at 295p, while Fleet benefited from "call" option business and hardened 2 more to 298p. Occasional support in a limited market lifted Bristol Evening Post 18 to 490p.

Press comment highlighting rising rental values boosted the Property sector initially, but a subsequent bout of profit-taking left the leaders well below the best. Land Securities and MEPC both touched 306p prior to closing only a couple of pence dearer at the common price of 303p; the former's annual results are due on May 14. Hammerson A settled 15 higher at 455p, after 460p, but British Land retained a gain of 3 at 144p and Capital and Counties improved 4 to close at the day's best of 210p. Elsewhere, Cardiff Property rose 7 to 190p and Peel Holdings 10 to 385p in restricted markets.

Shippings lost ground across the board. P & O Deferred gave up 5 to 350p, while Ocean Transport eased a few pence to 175p. Profit-taking clipped 6 from Milford Docks at 72p. Lyle closed a penny cheaper at 11p following the doubled full-year deficit.

Oils lower

Leading oils edged higher at the outset but subsequent modest selling pressure and a general lack of buying interest—which reflected the improvement in sterling — saw prices move progressively lower. BP were finally 10 cheaper at 555p and Britoil dipped 5 to 223p. LASMO were a vulnerable market and ran back 10 to 305p with the new nil-paid shares closing 5 down at 23p premium.

Second-line stocks were highlighted by Falcon Resources which retreated to 360p following a sizeable selling order before steadying to close a net 40 down at 370p. Favourable press comment encouraged renewed support for Sun (UK) Royalty and the shares raced up to a 1985 high of 185p before profit-taking reduced the quotation to 180p, a net gain of 10. Elsewhere Australia's National Oil jumped 10 to 42p following the bid from Bridge Oil.

Golds lose ground

South African sectors of mining markets made a poor start to post-holiday trading. Bullion lost ground in the U.S. on Monday, dipping to around $310 an ounce. However, the price edged higher from the outset of London dealings yesterday and touched a high of $315.25 before settling a net $1.75 firmer at $314.5.

Gold shares were also weak in the U.S. and opened with widespread falls. The subsequent rally in bullion encouraged a modest recovery movement in dollar quotations but the gradual improvement in the pound held sterling prices in check. As a result, the Gold Mines index sustained a further 12.9 fall to 470.4 — its lowest point since early-March and a decline of over 50 points during the past six trading days.

Charter Consolidated were an active market in London financials, the shares rallying from an initially easier 180p to close with a net gain of 8 at 190p, helped by the recent strength of Johnson Matthey and speculative demand.

The latest upsurge on Australian stock exchange prompted a sharp mark up of "down-under" issues at the outset of trading. Prices continued to improve throughout the morning but tailed off in the afternoon following the firm trend in sterling against the Australian dollar. Nevertheless, leading issues remained sufficiently strong to close with double-figure rises in places. Pego-Wallsend were outstanding and jumped 20 to 248p while CRA put on 14 to 362p following the annual meeting. Gains of around 10 were common to MIM Holdings, 188p, North Broken Hill, 148p and Western Mining, 231p. Among the more speculative issues Metramar jumped 7 to a year's best of 67p while Press comment boosted Australian Consolidated Minerals a like amount to 83p, after 86p.

Demand for Traded Options improved slightly from last week's relatively depressed levels. Total contracts transacted amounted to 7,440.

FINANCIAL TIMES STOCK INDICES

	May 7	May 3	May 2	May 1	Apr. 30	Apr. 29	year ago
Government Secs	80.56	81.10	81.06	81.16	81.22	81.30	80.54
Fixed Interest	85.70	85.75	85.66	85.65	85.60	85.56	86.53
Ordinary	985.8	989.9	989.9	978.4	971.4	968.5	804.6
Gold Mines	470.4	483.3	485.4	497.1	501.3	508.6	832.8
Ord. Div. Yield	4.63	4.61	4.61	4.65	4.69	4.69	4.32
Earnings, Yld.% (full)	11.25	11.27	11.58	11.69	11.72	11.76	10.00
P/E Ratio (net) (*)	10.47	10.82	10.52	10.42	10.34	10.34	12.06
Total bargains (Est.)	26,550	24,166	23,542	18,161	24,086	25,273	21,668
Equity turnover £m.	—	566.24	447.68	525.64	376.10	308.70	239.29
Equity bargains	—	20,671	21,823	22,066	19,622	21,279	20,623
Shares traded (ml)	—	170.4	194.6	159.0	179.8	171.7	138.3

10 am 993.1. 11 am 993.3. Noon 994.3. 1 pm 994.5. 2 pm 994.7. 3 pm 989.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.15.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.09 (28/1)	137.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.19 (22/4)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.6 (22/1)	928.7 (4/1)	1024.6 (22/1/85)	49.4 (26/6/40)
Gold Mines	636.9 (15/4)	452.2 (25/1)	734.7 (15/2/83)	43.5 (26/10/71)

	May 3	May 2
Daily Gilt Edged Bargains	122.8	112.2
Equities Bargains	153.2	141.4
Value	673.3	904.7
5day Average Gilt Edged Bargains	124.6	123.8
Equities Bargains	138.0	142.7
Value	724.1	812.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (102)

CORPORATION LOANS (1)
AMERICANS (1)
CANADIANS (1)
BANKS (1)
BUILDINGS (3)
CHEMICALS (1)
DRAPERY & STORES (6)
ELECTRICALS (8)
ENGINEERING (15)
FOODS (2)
INDUSTRIALS (26)
INSURANCE (1)
LEISURE (1)
MOTORS (2)
NEWSPAPERS (2)
PAPER (2)
PROPERTY (9)
SHIPPING (1)
TRUSTS (9)
OILS (6)
OVERSEAS TRADERS (1)
MINES (3)

NEW LOWS (94)

AMERICANS (2)
Alcoa; Amax
CANADIANS (1)
Golden Sceptre Res.
BUILDINGS (1)
Crouch (D.)
CHEMICALS (1)
Wardle Storeys
ELECTRICALS (2)
Logica; Microlease
ENGINEERING (1)
Ash & Lacy
INDUSTRIALS (3)
Bruntons (Muss.); French (Thomas); Caparo Inds.
LEISURE (2)
Nationwide Leisure; Tyne Tees TV A
PAPER (2)
Brunning; Do. Restric. Vtg.
PROPERTY (2)
Caparo Props.; Edmond Hldgs.
TEXTILES (2)
Coats Patons; Lyles (S.)
TRUSTS (2)
Amal. Fin. Inv.; Haw Par
OILS (1)
Bristol Oil & Mins.
MINES (2)
Stilfontein; Impala Platinum

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Last Fri's. close	Day's change
Domino Printing	22	285	+11
Britoil	19	228	+8
Naden	14	358	+28
Thorn EMI	14	455	−3
Falcon Res	12	410	−10
Finlay (James)	12	138	+12
Milford Docks	12	78	+11
Sherwood Cmp	12	200	+12
Blue Circle	11	517	+5
Brit Aerospace	11	403	+11
Cable & Wire	11	560	+10
Midland Bank	11	360	—
ICI	10	752	+8
Lex Service	10	228	+16

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or
49lr.	Nil	—	62pm	8pm	‡‡Oliver Prospecting	15pm	−5
372	Nil	10/5	45pm	30pm	Scape	30pm	−8
11	Nil	4/6	½pm	¼pm	Second Market Inv. 8p	½pm	—
180	F.P.	31/5	210	195½	STC	205	—
222	Nil	—	18½pm	17½pm	Tesco 20p	18pm	—
168	F.P.	14/6	182	168	United Biscuits	178	+1
220	F.P.	25/6	325	298	Wolstenholme Rink	324	+14
13	F.P.	17/6	24	17	Worthington (A. J.)	24	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‖‖ Introduction. ◆ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). ‡ Units comprising 4 Ord., 1 Warrant and £1.00 of 12½ per cent Uns.Ln. stk. 1995-98.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 7	May 17	Aug 8	Aug 19
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23

For rate indications see end of Share Information Service

Call options were transacted in Olivier Prospecting, Domino Printing, Sun Oil Royalties, Boots, Combined Technologies, Sangers, Osceola, Aspinall, C. H. Bailey, Atlantic Resources, Pentland Industries, Jackson Exploration, Eglinton Oil and Gas, British Telecom, Bryson, Racal, Falcon Resources, Fleet Holdings, Bristol Oil and Minerals, Newbold and Burton, Anchor Chemical, James Halstead, Evode, Jonas Woodhead, J. Saville Gordon, John Brown and Enterprise Gold. Puts were struck in Sun Oil Royalties, F. J. C. Lelley and Tricentrol, but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	103	4
Corpns, Dom. and Foreign Bonds	8	3	63
Industrials	311	254	883
Fin. and Props.	166	59	323
Oils	26	26	73
Plantations	5	4	8
Mines	49	49	82
Others	97	21	79
Totals	662	550	1,515

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bridport-Gundry	138	+8
British Home Stores	293	+11
Charter Cons	190	+8
Falcon Resources	370	−40
Forward Technology	36	+1
Garnar Booth	223	−10
Grand Metropolitan	287	—
ICI	744	−8
Land Securities	303	+2
Marks and Spencer	134	−2
Thorn EMI	438	−17
Vickers	294	+16

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EUROPEAN OPTIONS EXCHANGE

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*555)	460	110	126	—	4	7	—
	500	73	98	103	6	13	16
	550	38	58	66	22	28	37
	600	11	33	36	60	22	60

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*185)	160	27	34	—	1½	9	—
	180	8	17	21	4	9	11
	200	3	18	16	18	21	25
	220	0½	2	7	38	39	42
LASMO (*310)	325	93	38	60	3	12	18
	325	18	23	35	23	30	32
	363	3	12	22	46	60	23

May 7. Total contracts 7,440. Calls 5,588. Puts 1,852.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

120	70	♥Colby Res Corp.	80	.....	—	—	—
550	450	Cons. Murch. 10c	450	.....	†Q100c	1.4	10.8
40	28	‡Ennex Int. Ir10p	35	.....	—	—	—
117	73	♥Greenwich Res. Inc.	77	.....	—	—	—
215	157	Hampton Areas 10p	193	−5	3.75	2.1	2.6
260	160	♥Highwood Res.	175	−10	—	—	—
£22½	£18	Homestake Mining $1	£19¾	−¼	Q20c	—	0.8
310	190	♥McFinley Red Lake	267	−8	—	—	—
300	195	♥Musto Explorations	270	+3	—	—	—
55	23	♥New Sabina Res C$1	47	+2	—	—	—
375	260	Northgate C$1	950	+30	—	—	—
685	501	RTZ	638		20.0	2.7	4.6
£149½	£129	Do. 9pcLn '95-2000	£137	+1	Q9½%	14.0	f7.1
£13¾	£10	♥Tara Exptn $1	£13¼	+¼	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ⁑ Dealt in under Rule 535(3).
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. W Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	.....	Arnott	180	.....
Craig & Rose £1	£9	.....	CPI Hldgs	50	.....
Finlay Pkg. 5p	61	.....	Carrol Inds.	118½	+½
Higsons Brew	145	.....	Dublin Gas	54	.....
Holt (Jos) 25p	745	.....	Hall (R. & H.)	33	.....
IoM Stm. £1	93	.....	Heiton Hldgs.	14	.....
IRISH			Irish Ropes	43	+2
Exch. 12% 1985	£100	.....	Jacob (W.& R.)	71xd	.....
Nat. 9¾% 84/89	£90½	+¼	Unidare	33	.....
Fin. 13% 97/02	£90½	.....			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	23	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	23
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	25	Lex Service	20	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	25	Brit. Oil & Min	◆
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	28
Burton Ord	39	NEI	◆	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	◆	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 31

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Britannia Viewpoint 01-675 6666

UK Specialist Funds

Growth Gilt Trust	52.0	52.6		0.72
Recovery	79.8	85.1	+0.5	2.78
Smaller Cos.	115.1	122.8	+0.5	1.24
Spec. Mkt. Sits.	74.0	78.9	+0.2	1.93
UK Growth (Domestic)	31.8	33.9		3.11
High Income Funds				
Extra Inc.	51.4	54.8	+0.1	7.81
Gilt	25.7	27.0		9.78
Inc & Growth	152.4	162.6	+0.6	4.67
Nat. High Inc.	147.6	157.4	-0.1	5.93
Pref. Shares	17.2	18.3		11.28

FS Investment Managers Ltd.

190 West George St., Glasgow. 041-332 6462

FS Balanced Gwth Fd.	228.1	242.7	+1.9	—

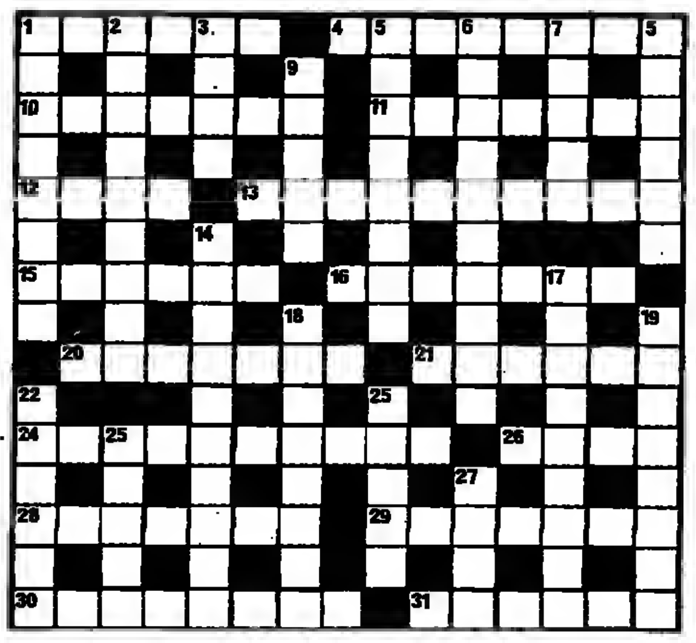
Fidelity International Management Ltd.

River Walk, Tonbridge, TN9 1DY. 0732 361144

American (z)	82.7	88.5	+1.6	1.53
Amer. Eq. Inc.(z)	31.3	33.4	+0.4	5.60
Amer. Spec. Sits (z)	47.6	51.0	+0.6	0.22
South E. Asia Tst (z)	29.4	31.3	+1.1	1.68
Japan Special Sits (z)	24.4	26.0	+0.7	—
Japan Trust (z)	82.3	87.6	+0.7	—
Managed Int. Tst. (z)	94.1	99.5	+1.5	0.74
Max. Inc. Eq. Tst.	94.2	99.8	+0.2	6.20
Special Sits.	102.0	108.6	+0.6	1.21

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,712

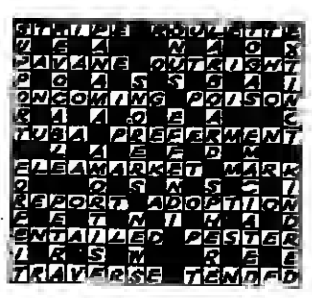


ACROSS

1 A kipper is dead! (6)
4 The rest of the lung? (8)
10 Joint vendor (7)
11 Floats round with first mate on wreckage from ship (7)
12 Rent and rate changes (4)
13 The baggage doesn't have a speech defect! (10)
15 Do they provide piped music for our entertainment? (6)
16 Excellent sort of letter (7)
20 Threaded and half tied on the guard (7)
21 The first British Labour leader not finishing with a struggle (8)
24 After work spot one's competitors (10)
26 Transport system that is providing food (4)
28 Sovereign found in a packet of dried fruit? (7)
29 God is not involved with shares (7)
30 Making an appeal for parking in front (8)
31 Turned out when I'd moaned (6)

DOWN

1 Aim to get compass with one on (8)
2 Start lighting the cigar incorrectly, being drowsy (9)
3 It provides a sound return (4)
5 The one that's fired when someone's late? (8)
6 Native first to follow Jack (10)
7 When in the wild, hurry (5)
8 More unusual with the middle removed and widely separated (6)
9 Versatile RAF men detailed to find a skeleton (5)
14 See beneath the stall (10)
17 When Nora often comes round (9)
18 Check potential star when in control (6)
19 Extricated the poor seal stuck in a pipe (8)
22 No egghead goes to drink and talk (6)
23 Get on to the poet about nothing (5)
25 It may be felt if one's patient (5)
27 Hankering for a vermouth before church (4)



Solution to Puzzle No. 5,711

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc. 12.25 9.16 13.90 Mth
Over £10,000 12.50 9.30 14.19 Mth

NOTES—Gross rate to those exempt from composite rate of tax. Net. actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr. frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◉ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Ivory Coast forecasts bumper cocoa crop

BY PETER BLACKBURN IN ABIDJAN

THE IVORY COAST expects a record cocoa crop of 500,000 onnes this season, according to President Houphouet Boigny.

This would easily exceed the previous higgest crop of 465,000 tonnes in 1981-82 and would be nearly 100,000 tonnes above last season's estimated crop.

President Boigny said that despite the country's economic crisis cocoa farmers had managed to improve both quantity and quality of output.

Cocoa production — only 80,000 tonnes at independence in 1960 — had expanded, making the Ivory Coast the world's lorgest producer.

Traders estimate that the main crop which closed at the end of March amouoted to "at least" 450,000 tonnes. Favourable conditions during the mid-crop now heing gathered could bring the total to "well over" 500,000 tonnes, they said.

hTis season's hnmper cocoa crop follows favourahle weather, with regular rainfall. Cocoa trees have recovered strongly from the drought of two years ago.

In addition trees planted after the mid-1970s cocoa boom have oow reached maturity.

Despite the record crop Ivory Coast cocoa is still in demand mainly due to problems in shipping Nigerian cocoa.

Lagos's Apapa port is said to be congested as Nigerian suppliers rushed to meet the extended end of April deadline for 1984 import licences.

The good weather has also resulted in a sharply improved forecast for the Ivorian coffee crop of 270,000 tonnes.

This is more than triple last seasoo's disastrous drought-hit crop of ooly 85,000 tonnes.

Meanwhile a new audit in one of the country's main coffee and cocoo exporters, Cogexim, is due to he presented to an Ahidjan civil court on May 7.

Cogexim was ordered hy the court on March 18 to repay debts of CFA 7bn (£11.8m) to the country's Agricultural Development Bank.

However, this was less than one quarter the amount claimed by the hank and the judgment was strongly criticised in official quarters.

Shortly afterwards Cogexim's managing director, Emmanuel Dioulo, fled to Brussels after his parliamentary immunity was lifted.

But Mr Dioulo recently said from Amsterdam that he had confidence in Ivorian justice and would shortly return to Abidjan.

The Cogexim scandal bas so far had little impact on coffee and cocoa markets, partly because supplies are plentiful this season and partly because the business methods of Cogexim, the only 100 per cent Ivorian ewned exporter, were unique.

Demand for tea rises at London auction

By Our Commodities Editor

THE RECENT headlong decline in tea prices slowed at the London auctions yesterday. Although the indicative price for medium quality teas fell 10p to 150p a kilo, low medium remained the same as last week at 115p. The London Tea Brokers Association said there was improved demand for the 38,662 packages offered, including 6,600 in the offshore section.

Selected coloory Assams showed little change. Others lost 4p to 6p whilst plain sorts with poor leaf were neglected.

Bright Africans and good mediums were firm to dearer with a better enquiry.

The few brightest Ceylons sold readily at often dearer rates. Others met a selective demand with frequent withdrawals. Offshore teas received a limited enquiry and were up to 10p easier where sold.

● TURNOVER on the London "soft" (non-metal) futures markets declined again last month, according to figures issued by the International Commodities Clearing Housa.

Total lots traded dropped to 231,523 compared with 283,874 in April 1984. The cumulative total for the first four mooths of 1985 fell to 1,133,943 against 1,353,027 a year ago. Trading was well down last month on the cocoa, coffee and sugar markets, hut up on gas oil futures.

Meanwhile turnover on the London International Financial Futures Exchange (Liffe) continued to climb. The number of lots traded in April jumped to 247,269, exceeding the commodity futures for the first time. Cumulative turnover on Liffe for January-April this year was 1,161,696 lots against 559,075 a year ago.

● AUSTRALIAN wool export growth is expected to fall from 7 per cent to 2 per cent in 1985 and 1986, according to Mr Murray Spinks, Australian Wool Corporation economics manager.

He told the annual conference of the Wool Council of Australia the slower growth was due to an expected fall in U.S. growth.

Farmers' viewpoint: by **John Cherrington**

Let the EEC's absurd farm policy collapse

EVEN IF this year's EEC farm price review is settled soon it will prohobly do no more than stimulate British critics of the Common Agricultural Policy into fresh demands for changes.

The overall aim is common to all, to cut the cost to the Community, that is the taxpayer, of farm support, while at the same time rednciog prices to the consumer.

It is worth qualifying some of the criticisms. There is no doubt that the cost of financing the CAP is rising annually, as has tha cost of food to the UK consumer. It is also the case that the subsidising of export surpluses has caused much aggravation to exporters in other countries and to producers in countries hit by dumped EEC produce.

These conntries had already been badly affected by the protectionism of the CAP, with its levies on food imports. It is true that other countries, notahly tha U.S., subsidise farmers, but not, as far as can be ascertained, to the same extent

Nearer home there has heen criticism by environmentalists of the dangers of modern farming, particularly arable, to the countryside, and a great deal of anger on the part of pig and poultry farmers about the imbalance caused by the support for cereals oompared with the lack of assistance they receive.

To get reforms one needs the support of other member states. On balance they seem to he satisfied with what they have. Often the CAP reflects policies they had had for years, and one hears very little criticism in Europe ef the expense or absurdity of the present system. Britain, with its previous cheap food policy, was the odd man out in Europe.

This means that in the Council of Ministers any British demand for reform has little chance of acceptance. And, even if majority voting were instituted, it could be kept at bay without difficulty.

In this case Britain's only course would be to opt out of the CAP altogether or leave the Community. *This point is* explored in two recent publications. Mr Richard Howarth in Farming for Farmers argues that it would be better to return farming to a free market where tha only protection would he against dumping and to provide enough snpport to ensure hasic food supplies.

Mr Phillip Oppenheim, MP, co-author of Biting the Hand that Feeds You, reaches roughly the same oonclusion. He says CAP is incapahle of reform hut he shies away from advocating leaving farming prey to world economic forces, and proposes instead a "standard farm quantity" to apply to cereal and possibly dairy farms. Briefly, it would impose a quota, although he does not call it that, based on yield per acre on a limited acreage.

According to him this would persuade the farmer to restrict his wheat output, say, to 2 tonnes an acre by saving on fertilisers or other inputs. The difficulty with this approach is that in some years there would be surplus wheat, which the farmer oould presumably sell on a free market—creating a two-tier wheat price, as the farmer could not be expected to throw it away.

Mr Oppenheim does make a sensible suggestion that the sugar quota be reduced to Community consumption, instead of being dumped on the overloaded world market.

For my part I doubt if there is any chance of agreement on reform which could bring about a reduction in either surpluses or cost. The CAP is best left to collapse from the weight of its own absurdities. The financial strains accompanying the accession of Spain and Portugal will bring that day nearer and farming in Europe will then return to the control of the only bodies capable ef managing it, national governments, spending their own money inside a common tariff-barrier.

Farming For Farmers, Paperback No 20, £4. Biting the Hand that Feeds You, Phillip Oppenheim and John Derrick, Industrial Startegy Reports, 11 Kings Road, London, SW3, £6.40.

Scarcity of copper increases

BY JOHN EDWARDS, COMMODITIES EDITOR

THE CASH price of higher grade copper surged further ahead on the London Metal Exchange yesterday as the "squeeze" on nearby supplies tightened. The cash price closed £61.50 up ot £1,339 a tonne, moving to a premium of £111.50 over the three months quotation, which gained £14.50 to £1,227.50.

Copper stocks in the LME warehouses fell again hy 4,400 tonnes to 82,800 tonnes, the lowest level for 11 years. There was some surprise that the premium cash prices so far have failed to attract sufficient extra supplies to reverse the downward trend in warehouse stocks. Indeed at the moment there is little relief in sight with the majority of the stocks reportedly held hy reluctant sellers.

However, the market as a whole continues to he held hack hy constant selling pressure from speculators in New York, and the daily fluctuations in the dollar/sterling parity ratae discouraging trade participation.

The fall, and subsequent recovery, of sterling was the main influence in other metal markets yesterday. Tin, however, held steady encouraged hy a rally in the Kuala Lumpur morket over the week-end to M$28 a kilo

● Weekly metals prices, supplied by Metals Bulletin.

ANTIMONY: European free market. 99.6 per cent, $ per tonne, in warehouse, 2,700-2,800.

BISMUTH: European free market, min 99.99 per cent, $ per lh, tonne lots in warehouse, 5.30-5.70.

CADMIUM: European free market, min 99.95 per cent, $ per lh, in warehouse, ingots, 0.84-0.94, sticks, 0.88-0.94.

COBALT: European free market, 99.5 per cent, $ per lh, in warehouse, 11.45-11.60.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 285-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lh Mo, in warehouse, 4.00-4.30.

SELENIUM: European free market, min 99.5 per cent, $ per lh, in warehouse, 7.30-7.80.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO, cif, 68-72.

VANADIUM: European free market, min 98 per cent V O, ether sources, $ per lh V O, cif, 2.34-2.40.

URANIUM: Nuexco exchange value, $ per lb V O, 15.00.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending May 3)

	(tonnes)
Aluminium	−2,275 to 103,800
Copper	−4,400 to 82,800
Lead	−475 to 41,500
Nickel	+264 to 4,944
Tin	−645 to 20,530
Zinc	−2,925 to 35,950
	(ounces)
Silver	+498,000 to 52,674,00

Seeds of doubt on Soviet harvest

BY OUR MOSCOW CORRESPONDENT

SOVIET FARMERS have raised the pace of spring grain sowing, hut western agricultural experts said yesterday the work was still drastically behind.

In a rare hurst of activity, Soviet farm workers took to the fields in great numbers, increasing the overall sown area hy 13.4m hectares to 32.6m hectares before taking extended May Day and Victory Day holidays.

Spring grains were sown on 17.1m hectares by last Monday, a notable increase of 6.6m on the week before, hut still not dynamic enough.

Ne figures were given last year for the same period, hut the grain area sown is now just half that ef late April 1983 and less than in 1981 when progress was judged to be exceedingly slow.

The experts, whe chart progress week by week, say Soviet farmers have yet te reach a tempo which weuld ensure a higher grain crop than the previous string of bad harvests. The west estimated last year's crop at 170m tonnes, 70m below target.

This year's planned grain crop is 243m tonnes, a figure which the experts say is clearly out of reach, especially when put alongside estimated grain imports. The International Wheat Council sees 53m tennes being imported in the year to June 30.

Although workers clearly put on a spurt, making use of drier weather and slightly more manogable fields last week, they would now ease off for the holidays, the experts said.

A sudden spete of rain storms and colder weather are likely to further hamper Soviet farmers when they surface from the festivities. However, Soviet newspaper continue to point the finger more at technical difficulties than the weather, once a perennial and usually solitary scapegoat.

Pravda yesterday urged tractor drivers to oonserve fuel. In central Asia, farms had stocks of diesel to last just five days, it said. Other newspapers lamented the lack of working machinery, fertilisers and spare parts.

And as the spring sowing season progresses with little gains from newly-employed intensive methods, newspapers have begpn to drop references to the scheme, which is aimed at increasing grain production.

MR VIKTOR NIKONOV has left his post as agriculture minister for the Russian Federation, the largest of the Soviet Union's republics, to become one of the 10 powerful central committee secretaries.

There seems little doubt that Mr Nikonov has been chosen to take on Mr Mikhail Gorbachev's fermer job as party overseer of the agricultural seeter. Nr Nikonov had close links with Mr Gorbachev when they both werked in southern Russia.

Sugar falls to 15-year low

By Our Commodities Editor

WORLD SUGAR prices dropped to the lowest level for 15 years on the London terminal market yesterday. The London daily price for raw sugar was cut by $5.3 to $86 (£71.50) a tonne.

The fall followed the substantial decline in New York over the weekend. In early dealings the July position in the New York market hriefly traded belo w3 cents a pound. There has been continuous selling by speculators, disillusioned by the build up of surplus stocks and "bearish" chart forecasts.

In Brussels yesterday the EEC Commission at its weekly selling tender authorised the export of 37,000 tonnes of white sugar—5,000 tonnes from the old series (up to end June delivery) with a maximum rebate of 44.379 European currency units per 100 kilos and 32,000 tonnes from the supplementary new series (July/Sept delivery) with a maximum rebate ef 44.153 units.

Exports of 12,000 tonnes of raw sugar, with a 40,619 units subsidy, was also authorised

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£926-7	+4	—
3 months	£942.5-3	+3.6	959/939

Official closing (am): Cash 926-7 (922-3), three months 943.5-4.5 (939-0.5), settlement 927 (939.25). Final Kerb close: 940-1. Turnover: 34,276 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/Low
Cash	£1558-40	+61.5	1340/1330
Three m'nths	£1,227-8	+14.5	1230/1212
Cathodes			
Cash	£1231-6	+29.5	1234/1250
Three m'nths	£1216-6	+15	1219/1219

Official closing (am): Cash 1328-32 (1275-80), three months 1228-30 (1212-4), settlement 1332 (1280). Final Kerb close: 1225-23.5.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£315-.5	−2.25	314.5/315
3 months	£31.05	−4	310.5/309

Official closing (am): Cash 313.5-4 (316-7), three months 309-5-10 (214-5), settlement 314 (317). Final Kerb close: 309-9.5. Turnover: 5,075 tonnes. U.S. Spot: 20-21 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£4520-5	−30	4575/4570
3 months	£4510-1	−26	4610/4480

Official closing (am): Cash 4565-75 [illegible]

TIN

[illegible]

ZINC

[illegible]

MAIN PRICE CHANGES

In tonnes unless otherwise stated

[illegible]

GOLD

[illegible]

SILVER

[illegible]

FREIGHT FUTURES

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

COFFEE

[illegible]

INDICES

FINANCIAL TIMES

[illegible]

REUTERS

[illegible]

MOODY'S

[illegible]

DOW JONES

[illegible]

COCOA

[illegible]

SUGAR

[illegible]

SOYABEAN MEAL

[illegible]

OIL

Prices for all grades fell with few deals concluded. Nymex traded during the morning within a narrow range mainly above Monday's close and was 10-15c up at noon EST. [illegible]

POTATOES

[illegible]

PIGMEAT

[illegible]

MEAT

[illegible]

U.S. MARKETS

HEATING OIL steadied on the weaker dollar and on trades' expectations of a further drawndown te be reported in API statistics on distillate stocks, reports Heinold Commodities. Soyabeans rallied early but came under heavy pressure in late selling precipitated by a weakness in soyaoil prices. Maize was mixed as the spot market continued firm. Wheat sold off moderately as expectatiens ef a constructive private crop report were more than offset hy a lack of demand for the tight delivery stocks in the Great Lakes. Precious metals firmed on hnying linked to the firm tone to currencies along with the impression that the U.S. Federal Reserve is pursuing a moderately easier monetary policy. Copper and aluminium showed good gains on LME stock drawdowns and a firm tone to sterling. Sugar contlnued to make new contract lows on tired long liquidation reflecting a general lack of bullish developments. Computer fund selling and stop-loss selling pressured coffee valnes sharply.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	48.85	48.70	48.50	48.40
June	49.15	—	—	48.70
July	49.50	49.50	49.20	49.05
Sept	50.30	50.15	50.05	49.85
Dec	51.90	52.30	51.30	51.05
Jan	51.60	—	—	51.45
March	52.70	—	—	52.25
May	53.50	—	—	53.05
July	54.30	—	—	53.85
Sept	55.10	—	—	54.65

[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
May	62.85	62.95	62.40	61.60
June	63.20	—	—	61.90
July	63.70	63.90	63.30	62.40
Sept	64.25	64.30	63.90	63.60
Dec	64.70	64.80	64.35	63.55
Jan	64.90	64.75	64.75	63.75
March	65.30	65.35	65.10	64.15
May	65.70	65.70	65.50	64.50
July	66.05	66.00	65.90	64.85
Sept	66.40	—	—	65.20

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	68.40	68.51	67.90	66.20
July	65.19	66.75	64.62	65.19
Oct	64.20	64.75	64.03	64.48
Dec	64.33	64.65	64.15	64.96
[illegible]				

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.94	3.12	2.93	3.15
Sept	3.07	3.25	3.00	3.26
Oct	3.22	3.36	3.21	3.40
Jan	3.62	3.70	3.57	3.78
March	4.03	4.17	4.03	4.20
May	4.24	4.36	4.24	4.40
July	4.45	4.60	4.45	4.61
Sept	4.60	—	—	4.87
Oct	4.80	4.70	4.70	4.97

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	59.87	60.10	59.30	96.00
August	61.80	62.20	61.07	61.75
[illegible]				

[illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	339.2	342.4	337.2	337.2
July	324.2	325.0	321.0	323.4
Sept	325.2	325.4	322.2	324.2
Dec	335.4	335.4	332.0	333.6
March	340.0	340.0	336.4	338.0
May	336.0	—	—	334.0

SPOT PRICES — Chicago loose lard 21.50 (same) cents per pound. New York tin averaga 539 (532) cents per pound. Handy and Harman silver bullion 514.0 cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 632.0, 632.0, 640.0-630.0; July 640, 647.0, 640.0-640.0; Oct 628.0, 631.0, 630.0; Dec 628.0, 630.0, 628.0-626.0; March 635.0, 640.0, nil; May 640.0, 645.0, 644.0.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May 5[illegible], 530, 521-520; Aug 535, 541, 540-537; Oct 536, 540, 539-536; Dec 538, 542, nil; Jan 537, 542, nil; March 546, 550, nil; May 553, 556, 555-554; Aug 567, 570, 568-567; Oct 567, 572, nil. Sales: 69.

[illegible].0; July 645.0, 650.0, nil; Oct 630.0, 640.0, nil. Sales 25.

PARIS

SUGAR—(FFr per tonne): Aug 1255-1260, Oct 1275-1280, Dec 1305-1320, March 1370-1380, May 1419-1435, Aug 1475-1500.

COCOA—(FFr per 100 kg): May 2111-2120, July 2140 bid, Sept 2125-2135, Dec 2060-2075, March 2070-2075, May 2075 bid, July 2075 bid.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 377 tonnes. Trading developed on moderate lines with American growths in request. Users also wanted Russian and Colombian growths.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. No. 2 Soft Red Winter June 151.50, July 146, Aug 147, Sept 148, Oct 150.50 sellers. U.S. No. 2 Northern Spring, 14 per cent protein, May 178, June 169.50, July 196, Aug 167, Sept 164, Oct 168, Nov 171, Dec 174 sellers. U.S. Northern Spring, 15 per cent protein, June 183, July 183, Aug 179.50, Sept 178 sellers. U.S. No. 3 Hard Amber Durum May 182, June 180, July 178, Aug 177, Sept 173, Oct 176.50 sellers. Canadian No. 1 Western Amber Durum May/June 189.50, June 189.50, July 188.50, Sept 187.50 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls in nervous trade

The dollar fell sharply in nervous foreign exchange trading yesterday. It began on a firm note, rising above DM 3.24 in early trading, but then plunging quickly to around DM 3.18, amid fears that the central banks were mounting an attack on the currency. A large selling order came into the market, but despite suggestions that the Bundesbank was behind the move and that the Bank of England was also intervening, the origin of the sale was believed to be the Far East.

Comments by Mr Preston Martin, vice-chairman of the Federal Reserve Board, suggesting that U.S. economic growth this year may not live up to market expectations, also depressed the U.S. currency, while the adding of reserves to the New York banking system by the Fed, wehn Federal funds were below 8 per cent, also contributed to the decline.

The dolar fell to DM 3.1665 from DM 3.2350 in New York on Monday and DM 3.2185 in London on Friday; to FFr 9.65 from FFr 9.8575 in New York and FFr 9.8050 in London; SwFr 2.6605 from SwFr 2.7160 in New York and SwFr 2.7095 in London; and Y252.85 from Y255.025 in New York and Q253.65 in London.

On Bank of England figures the dollar's index fell to 148.8 from 149.5.

STERLING — Trading range against the dollar in 1985 is 1.2940 to 1.0525. April average 1.2414. Exchange rate index fell 0.4 to 77.2, but rose fairly steadily during the day from a very weak opening. The first calculation of 76.2 was the lowest of the day, with the index touching its peak of 77.3 at 3 pm.

Sterling continued to weaken in very early trading after its slump in New York on Monday, but then recovered sharply to close around its best level of the day against the dollar. It gained 3½ cents from the previous New York close to $1.2175-1.2185, and also rose 1 cent from Friday's London finish. The pound also closed at or near its best levels against other major currencies, but generally lower than on Friday, falling to DM 3.8575 from DM 3.89; FFr 11.7550 from FFr 11.8575; and SwFr 3.25 from SwFr 3.2775, but rising slightly to Y307 from Y306.75.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. April average 3.0856. Exchange rate index 120.4, against 123.1 six months ago.

The D-mark rose sharply against the dollar in volatile trading. At the Frankfurt close the U.S. currency had fallen to DM 3.1810 from DM 3.2360 on Monday. Most of the movement came in the morning, when the dollar first tested a high of DM 3.2430, and then slumped to DM 3.18, before steadying ahead of the fixing at around DM 3.1950. Suspicious that the German Bundesbank may have been responsible for the sudden drop in the dollar's value, dealers bid the dollar up slightly at the Frankfurt fixing, to see if the central bank would meet the demand of around $30m, but the Bundesbank did not intervene as the dollar was fixed DM 3.1960, compared with DM 3.2490 on Monday. After the recent rise the market was probably long of dollars and simply the threat of intervention may have caused the sudden fall, without any helping nudge from the authorities.

STERLING INDEX

	May 7	Previous
8.30 am	76.2	76.3
9.00 am	76.5	76.3
10.00 am	76.7	76.4
11.00 am	77.0	76.3
Noon	77.1	76.2
1.00 pm	76.9	76.4
2.00 pm	77.2	76.4
3.00 pm	77.3	77.0
4.00 pm	77.2	77.0

£ IN NEW YORK

	May 7	prev. close
£ Spot	$1.2170-1.2185	$1.1820-1.1855
1 month	0.47-0.45pm	0.49-0.47pm
3 months	1.26-1.22pm	1.26-1.22pm
12 months	2.85-2.70pm	2.80-2.00pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.9224	+0.05	+0.10	±1.5471
Danish Krone	8.14104	8.05837	−1.02	−0.97	±1.6418
German D-Mark	2.24184	2.23980	−0.09	−0.04	±1.1475
French Franc	6.87456	6.82858	−0.67	−0.62	±1.3889
Dutch Guilder	2.52595	2.52978	+0.15	+0.20	±1.5171
Irish Punt	0.72569	0.715002	−1.47	−1.42	±1.6673
Italian Lira	1403.49	1421.12	+1.26	+1.26	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

May 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1755-1.2200	1.2175-1.2185	0.50-0.47c pm	4.78	1.31-1.26pm	4.22
Canada	1.6417-1.6841	1.6800-1.6840	0.50-0.41c pm	3.25	1.23-1.10pm	2.77
Nethlnd.	4.30¾-4.36½	4.35½-4.36½	2⅛-2c pm	5.85	6¼-6pm	5.82
Belgium	77.35-77.85	77.35-77.45	29-23c pm	4.03	72-63pm	3.49
Denmark	13.74½-13.89½	77.35-77.45	4⅝-3¼ore pm	3.62	11½-10½pm	3.13
Ireland	1.2180-1.2285	1.2265-1.2275	0.20-0.03p pm	1.12	0.48-0.01pm	0.77
W. Ger.	3.81-3.89½	3.85¼-3.86¼*	2½-2¼pf pm	7.58	6⅝-6¼pm	6.93
Portugal	218½-224⅛	220⅛-224⅛	115-480c dis	−12.06	405-1135dis	−13.86
Spain	214-217	216½-218½	10c pm-5 dis	−0.14	40-70dis	−1.02
Italy	2420¼-2461½	2451½-2452½	3lire pm-par	0.73	2pm-2dis	—
Norway	10.93-11.08	11.07-11.08	½-⅞ore dis	−0.54	½-1dis	−0.20
France	11.62½-11.76	11.75-11.76	2½-2⅛c pm	2.82	7-6½pm	2.23
Sweden	10.96½-11-12½	11-11½-11-12½	⅞-1¼ore dis	−1.26	3½-4½dis	−1.35
Japan	301½-308½	306½-307½	1.85-1.73y pm	7.00	4.98-4.79pm	6.36
Austria	26.76-27.17	27.07-27.17	16-14½gro pm	6.69	42½-37½pm	5.87
Switz.	3.20½-3.25½	3.24½-3.25½	2⅛-2⅛c pm	6.08	6½-6pm	7.64

Belgian rate is for convertible francs. Financial franc 77.85-77.95. Six-month forward dollar 2.30-2.25c pre. 12-month 3.10-2.95c pre.
* Rate for May 3 3.88½-3.89½.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1756-1.2200	1.2175-1.2185	0.50-0.47c pm	4.78	1.31-1.26pm	4.22
Ireland†	0.9650-0.9915	0.9900-0.9915	0.35-0.25c pm	3.67	1.00-0.70pm	3.47
Canada	1.3795-1.3833	1.3800-1.3810	0.16-0.19c dis	−1.52	0.48-0.53dis	−1.46
Nethlnd.	3.5740-3.6630	3.5770-3.5780	0.33-0.29c pm	1.03	1.28-1.24pm	1.40
Belgium	63.50-65.10	63.50-63.60	6-7c dis	−1.12	15-17dis	−0.88
Denmark	11.40½-11.65½	11.41½-11.41½	½-1½ore dis	−1.06	2½-3dis	−0.96
W. Ger.	3.1620-3.2430	3.1660-3.1670	0.75-0.70pf pm	2.73	2.19-2.14pm	2.72
Portugal	181-186	181-183	150-400c dis	−17.93	450-1150dis	−17.39
Spain	177.60-181.65	178.10-178.50	70-90c dis	−5.04	230-260dis	−5.49
Italy	2014-2050	2019½-2020½	6½-7¼lire dis	−4.18	21½-22dis	−4.29
Norway	9.07-9.27	9.07½-9.07½	4-4½ore dis	−5.60	10-10½dis	−4.50
France	9.64½-9.88	9.64½-9.65½	1.55-1.65c dis	−1.96	4.65-4.95dis	−2.36
Sweden	9.12-9.28½	9.12½-9.12½	4½-5ore dis	−6.24	12½-13½dis	−5.69
Japan	252.70-254.45	252.80-252.90	0.52-0.44y pm	2.28	1.45-1.35pm	2.21
Austria	22.27-22.79½	22.27-22.32	4½-3½gro pm	2.01	11½-8½pm	1.74
Switz.	2.6600-2.7260	2.6600-2.6610	0.82-0.76c pm	3.54	2.25-2.19pm	3.31

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.90-64.00.

OTHER CURRENCIES

May 7	£	$		£ Note Rates
Argentina Peso	674.09-676.06	475.64-476.04	Austria	26.85-27.10
Australia Dollar	1.7985-1.8030	1.4905-1.4925	Belgium	77.00-78.00
Brazil Cruzeiro	6,095-6,135	5,050-5,070	Denmark	13.75-13.90
Finland Markka	7.9485-7.0765	6.5800-6.5850	France	11.65-11.76
Greek Drachma	166.50-180.88	132.92-142.75	Germany	3.82-3.88
HongKong Dollar	9.3934-9.4115	7.7880-7.7845	Italy	2400-2450
Iran Rial	112.70*	92.40*	Japan	299-303
KuwaitDinar(KD)	0.3070-0.3877	0.30562-0.30588	Netherlands	4.31-4.35
Luxembourg	77.55-77.45	63.50-63.60	Norway	10.95-11.05
Malaysia Dollar	3.0555-3.0675	2.4700-2.4750	Portugal	200-221
New Zealand Dlr.	2.5600-2.5900	2.0450-2.0460	Spain	209-217
Saudi Arab. Riyal	4.3944-4.3705	3.6100-3.6105	Sweden	10.97-11.08
Singapore Dollar	2.6730-2.6825	2.2175-2.2225	Switzerland	3.20-3.24
Sth African Rand	2.4265-2.4415	2.0190-2.0230	United States	1.20-1.22
U.A.E. Dirham	4.4394-4.4461	3.6720-3.6730	Yugoslavia	300-350

* Selling rate.

CURRENCY MOVEMENTS

May 7	Bank of England Index	Morgan Guaranty Change %
Sterling	77.8	−11.8
U.S. dollar	148.8	+33.4
Canadian dollar	87.7	−7.2
Austrian schilling	110.0	+8.8
Belgian franc	88.8	−11.0
Danish Kroner	76.5	−6.8
Deutsche mark	120.4	+6.4
Swiss franc	137.5	+7.4
Guilder	110.0	+0.7
French franc	64.3	−10.6
Lira	46.1	−17.4
Yen	155.8	+11.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.815873	0.582888
U.S. $	8	0.979862	0.708132
Canadian $	10.07	*	0.969644
Austria Sch.	4½	22.0288	10.7699
Belgian Fr.	11	62.7278	44.0824
Danish Kr.	7	11.9468	8.06837
D'mark	4½	3.15100	2.23980
Guilder	6½	3.52874	2.52978
French Fr.	9½	9.68674	6.82858
Lira	15½	1982.08	1421.12
Yen	5	246.380	177.818
Norway Kr.	8	8.97860	6.43504
Spanish Pta.	—	176.565	125.822
Swedish Kr.	9	9.03843	6.44557
Swiss Fr.	4	2.60639	1.86583
Greek Dr'ch	20½	135.181	96.5266
Irish Punt	12½	0.997618	0.715002

*CS/SDR rate for May 6: 1.34649

EXCHANGE CROSS RATES

May 7	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.218	3.858	307.0	11.76	3.250	4.360	2452.	1.682	77.40
U.S. Dollar	0.821	1.	3.167	252.8	9.650	2.678	3.578	2013.	1.381	63.55
Deutschemark	0.259	0.316	1.	79.60	3.047	0.843	1.130	635.6	0.436	20.06
Japanese Yen 1,000	3.257	3.957	12.57	1000.	38.30	10.60	14.20	7987.	5.479	252.1
French Franc 10	0.851	1.037	3.282	261.2	10.	2.765	3.709	2086.	1.431	65.84
Swiss Franc	0.308	0.375	1.187	94.46	3.617	1.	1.342	754.5	0.518	23.82
Dutch Guilder	0.229	0.279	0.885	70.46	2.696	0.745	1.	562.4	0.386	17.75
Italian Lira 1,000	0.408	0.497	1.573	125.2	4.794	1.326	1.778	1000.	0.686	31.57
Canadian Dollar	0.595	0.724	2.293	182.5	6.988	1.932	2.592	1458.	1.	46.02
Belgian Franc 100	1.292	1.574	4.984	396.6	15.19	4.199	5.633	3168.	2.173	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 7	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅝-12⅞	7⅞-8	8¼-8¾	6⅞-6⅞	2¼-2½	5½-5⅝	10¼-10¾	11¾-12¾	8½-8¾	8½-8¾	6⅛-6¼	8¼-9¾
7 day's notice	12½-12⅝	8⅛-8¼	8⅛-9⅛	6⅞-7	4⅛-4⅝	5⅛-5⅝	10⅛-10¾	11⅝-12⅛	8-8¼	9⅛-9¼	6⅛-6¼	9¼-9¾
Month	12¾-12⅞	8⅛-8⅜	9⅛-9⅝	6⅞-7	4⅛-5⅛	5⅛-5⅝	10⅛-10⅜	11⅝-12⅞	8⅛-9⅜	9⅛-9⅛	6⅛-6⅜	9¼-9¾
Three months	12¾-12⅞	8⅜-8⅝	9⅛-10	6⅞-7	5⅛-5¼	5⅝-5⅞	10⅛-10⅞	13¼-13⅝	8¾-9½	8⅜-8⅝	6⅝-6⅞	9⅝-9⅞
Six months	12⅞-12⅞	8⅝-8¾	10-10¼	6⅞-7	5⅛-5¼	5⅝-5⅞	10½-10⅝	13¼-13⅝	9¼-9½	9⅝-9⅞	6⅝-6⅞	9⅝-9⅞
One year	12¼-12⅝	9¼-9⅜	10⅞-10⅞	6⅞-7	5⅛-5¼	6 6⅛	10¾-11	13⅞-14¼	9¾-10	9¾-10	6⅝-6⅞	10-10½

Asian $ (closing rates in Singapore): Short-term 8⅞-8⅞ per cent; seven days 8⅞-8⅞ per cent; one month 8⅞-8⅞ per cent; three months 8½-8½ per cent; six months 8⅞-8⅞ per cent; one year 9⅞-9⅞ per cent. Long-term Eurodollars: two years 10⅝-10⅞ per cent; three years 10⅞-11⅛ per cent; four years 11⅛-11⅜ per cent; five years 11⅛-11⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Little reaction to money supply figures

The London money market showed little reaction to the very disappointing mid-April UK money supply figures. The rise of 2¾-3 per cent in sterling M3 compared with most forecasts of around 1 per cent, and was well above even the most pessimistic estimates, but was generally felt to make little immediate difference to the interest rate structure.

No increase in interest rates is expected to result from the figures, although any further fall in rates has probably been delayed. Three-month interbank rose to 12¹¹⁄₁₆-12¹³⁄₁₆ per cent from 12½-12¾ per cent, and discount houses buying rates for three-month eligible bank bills increased to 12⅛-12⁵⁄₃₂ per cent from 12 per cent.

The Bank of England forecast a market shortage of £1,000m, and provided total on the day of £1,026m.

An early round of help was offered, and at that time the authorities provided assistance of £674m, through outright purchases of £26m bank bills in band 1 (up to 14 days maturity) at 12⅞ per cent; £51m bank bills in band 2 (15-33 days) at 12¼ per cent; £223m bank bills in band 3 (34-63 days) at 12⅛ per cent; £61m Treasury bills in band 4 (64-91 days) at 12 per cent; £9m local authority bills in band 4 at 12 per cent; and £304m bank bills in band 4 at 12 per cent.

Before lunch another £132m bills were bought outright, by way of £11m bank bills in band 1 at 12⅞ per cent; £11m bank bills in band 2 at 12¼ per cent; £24 bank bills in band 3 at 12⅛ per cent; and £86m bank bills in band 4 at 12 per cent.

In the afternoon the Bank of England purchased £195m bills outright, though £55m bank bills in band 1 at 12⅞ per cent; £55m banks bills in band 2 at 12¼ per cent; £25m bank bills in band 3 at 12⅛ per cent; and £60m bank bills in band 4 at 12 per cent.

Late assistance of £25m was also provided.

Bills maturing in official bands, repayment of late assistance and a take-up of Treasury bills from Friday's tender absorbed £708m, with the unwinding of repurchase agreements absorbing £346m, and Exchequer transactions another £160m. These outweighed a fall in the note circulation adding £230m to liquidity.

UK clearing banks base lending rate 12¼-12¾ per cent since April 19

MONEY RATES

May 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	0.60-5.70	10¼	2⅝-2⅝	7⅛-6¼	6.15620	16⅛-16½	8.65	12⅝-10⅞
One month	5.78-5.85	10¹⁄₁₆-10⅛	4⅜-5⅛	7⅛-7⅛	6.28125	14⅝-15	9⅛-9¼	12⅝-12⅞
Two months	0.75-5.90	10¼-10⅜	—	—	—	—	—	12⅝-12⅞
Three months	5.85-5.95	10⅛-10⅛	5⅛-5¼	6⅞-7	6.34375	15-15⅜	9⅛-9⅛	12⅝-12⅞
Six months	5.90-6.05	10½-10⅝	—	6⅞-7	—	—	9⅛-9⅛	12⅝-12⅞
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10¼	—	6⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

May 7 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12-12¾	12⅝-12½	10½ 12¾	11¾-12½	—	—	—	—	—
2 days notice	—	—	12½-12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅝-12¾	12⅝-10¾	10¾-12⅞	12½	—	—	—	—	—
One month	10¾-12⅝	12⅝-12¹³⁄₁₆	12¹¹⁄₁₆	1¾-12⅞	12½	12⁷⁄₁₆	12¼	10⅞-12⅞	12¼	12¹³⁄₁₆
Two months	12¾-12⅝	12¹¹⁄₁₆-12¹³⁄₁₆	12¹¹⁄₁₆	12⅞	12½	12⅛	12	12⅛-12⁷⁄₃₂	12⅛	12¹³⁄₁₆
Three months	12¹¹⁄₁₆-10½	10¹¹⁄₁₆-12¹³⁄₁₆	12¹¹⁄₁₆	12⅞	11⅞	12	11⅞	12⅛-10⁵⁄₃₂	12	12¹¹⁄₁₆
Six months	10⅝-12¼	12½ 12⅝	12⅝	—	—	—	—	11⅞-11¾	11½-11⅞	12⁷⁄₁₆
Nine months	12⅛-12	12⁵⁄₁₆-12⁵⁄₁₆	—	—	—	—	—	—	—	—
One year	12⅛-11⅞	12⅛-12⅜	12¼	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13⅝-13	—	12¾	8.05-8.15	8-8¼	9⅛-9⅞
Two months	13¼-12⅞	—	12¾	8.15-8.25	8½-8⅝	9⅛-9⅛
Three months	13⅛-12¾	—	12¾	8.2-8.3	8⅛-8⅞	9⅛-9⅝
Six months	12⅞-12½	—	10¾	8.4-8.5	8⅝-8⅝	9⅛-9¾
Nine months	10⅞-12½	—	12¼	89.5-9.05	—	—
One year	12⅝-12¼	—	12¼	9.05 9.15	8¾-9	9⅛-9⅛
Two years	—	12⅛	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11¾	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period April 3 to May 7 (inclusive): 12.797 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13½ per cent from May 1, 1985. London and Scottish Clearing Bank Rates for lending 12¼-12¾ per cent. Bank Deposit Rates for sums at seven days' notice 0.85-7.25 per cent (net). Treasury Bills: Average tender rates of discount 11.9667 per cent. Certificates of Tax Deposit (Series 5): Deposits £100,000 and over held under one month 13 per cent; one-three months 12¾ per cent; three-six months 12⅜ per cent; six-nine months 12 per cent; nine-12 months 11¾ per cent. Under £100,000 11½ per cent from May 1. Deposits held under Series 2 11¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9-9½
Fed funds	7¹⁵⁄₁₆
Fed funds at interventions	7¹³⁄₁₆

Treasury Bills

One month	7.20
Two month	7.60
Three month	7.72
Six month	7.82
One year	8.00

Treasury Bonds

Two year	100⁷⁄₃₂
Three year	100¹¹⁄₃₂
Four year	102¹¹⁄₃₂
Five year	102²⁵⁄₃₂
Seven year	103¼
10 year	100²⁵⁄₃₂
30 year	100⁵⁄₃₂

FT LONDON INTERBANK FIXING

(11.00 a.m. May 7)

Three months U.S. dollars	
bid 8 3/8	offer 8 1/2

Six months U.S. dollars	
bid 8 11/16	offer 8 13/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Gilts weak

Sterling denominated interest rate contracts fell sharply on the London International Financial Futures Exchange yesterday afternoon, to close at or near the day's lows. The very sharp rise of £2.6bn in bank lending for the month to mid-April was about double most estimates, while the increase of 2¾-3 per cent in sterling M3 money supply for the same period, compared with expectations in the region of 1-1½ per cent.

This apparent setback to any hopes of lower London interest rates led to falls in both the gilt and short sterling contracts.

June gilts opened at 106-04 and after touching a peak of 106-12, finished at the day's low of 105-04 against 106-10 on Friday. The immediate reaction to the money supply news was to wipe nearly ¾ points off prices.

Three-month sterling for June delivery opened at 87.48, and closed just above the day's low at 87.31 compared with 87.61 on Friday.

Eurodollar and U.S. Treasury bond futures were stronger, however, improving on hopes that last night's three-year note auction would be successful, and also gaining support from the low level of Federal funds in New York. June Eurodollars closed at the day's high of 91.45 compared with 91.34 on Friday, and June Treasury bonds touched a peak of 72-12, before closing at 72-11, against 72-05 at the previous settlement.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	72-06	72-09	72-03	71-31
Sept	71-04	71-07	71-01	70-29
Dec	70-05	70-08	70-03	69-31
March	69-09	69-13	69-09	69-04
June	68-10	68-21	68-17	68-13
Sept	—	—	—	67-24
Dec	67-12	67-13	67-12	67-05
March	—	—	—	66-20
June	—	—	—	[illegible]
Sept	—	—	—	[illegible]
Dec	—	—	—	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.28	92.30	92.24	92.27
Sept	91.82	91.84	91.77	91.79
Dec	91.41	91.43	91.37	91.38
March	91.07	91.07	91.07	91.03
June	90.80	90.80	—	90.73
Sept	90.55	90.55	—	90.25
March	90.10	90.10	—	90.04

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.78	91.82	91.72	91.75
Sept	91.12	91.14	91.04	91.06
Dec	90.65	90.65	90.65	90.57
March	90.24	90.28	90.24	90.18

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.42	91.44	91.43	91.37
Sept	90.75	90.77	90.66	90.67
Dec	90.25	90.29	90.18	90.17
March	89.84	89.88	89.79	89.77
June	89.52	89.53	89.50	89.43
Sept	89.20	89.23	89.10	89.12
Dec	88.96	88.96	88.96	88.85
March	88.72	88.72	88.72	88.61

STERLING (IMM) Se per £

	Latest	High	Low	Prev
June	1.2020	1.2085	1.1975	1.1740
Sept	1.1950	1.1945	1.1870	1.1640
Dec	1.1850	1.1900	1.1800	1.1590
March	—	—	—	1.2265
June	—	—	—	1.1555
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	70-17	70-18	70-12	70-14
Sept	69-25	69-25	69-21	69-22
Dec	—	—	—	69-02
March	—	—	—	—
June	—	—	—	68-01
Sept	—	—	—	67-20

London Clearing Banks' balances

as at April 17 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	18,305		−370	
UK private sector	61,891		+2,340	
UK public sector	1,331		−227	
Overseas residents	10,967		+192	
Certificates of deposit	6,183		+717	
		98,677		+2,652
of which: Sight		36,000		+1,391
Time (inc. CD's)		62,677		+1,261
Foreign currency deposits:				
UK monetary sector	14,016		−1,611	
Other UK residents	4,579		−408	
Overseas residents	44,107		−3,932	
Certificates of deposit	6,576		−553	
		69,278		−6,504
Total deposits		167,955		−3,852
Other liabilities*		21,662		−230
TOTAL LIABILITIES		189,617		−4,082
ASSETS				
Sterling				
Cash and balances with Bank of England		1,474		+182
Market loans:				
Discount houses	2,757		+511	
Other UK monetary sector	16,214		+63	
UK monetary sector CD's	2,730		+415	
Local authorities	768		−36	
Other	2,004		+166	
		24,473		+1,119
Bills:				
Treasury bills	108		+82	
Other bills	2,014		+390	
		2,123		+471
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,368		+83	
Other	2,681		+53	
		5,049		+136
Advances:				
UK private sector	67,584		+1,246	
UK public sector	469		−53	
Overseas residents	2,615		+25	
		70,669		+1,218
Other sterling assets*		10,616		−659
Foreign currencies				
Market loans:				
UK monetary sector	15,345		−636	
Certificates of deposit	957		−43	
Other	29,233		−3,011	
		45,535		−3,690
Bills		183		−62
Advances:				
UK private sector	5,821		−512	
UK public sector	1,105		−135	
Overseas residents	16,686		−1,930	
		23,612		−2,577
Other foreign currency assets*		5,882		−220
TOTAL ASSETS		189,617		−4,082
Acceptances		3,811		+117
Eligible liabilities		74,214		+1,805

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	167,955	−3,852	42,305	−598	31,482	−544	32,183	−1,842	56,991	−647	4,995	−220
ASSETS												
Cash and balances with Bank of England	1,474	+182	471	+52	263	+54	270	+35	419	+35	51	+5
Market loans:												
UK monetary sector	34,316	−62	6,604	−248	4,823	−17	3,979	−208	17,996	+606	914	−195
Other	35,692	−2,509	9,455	−203	7,332	−555	7,117	−1,363	10,656	−363	1,132	−26
Bills	2,306	+409	795	+120	778	−24	290	+38	422	+254	21	+20
British Government stocks	2,368	+83	448	+50	695	−1	497	+3	643	−13	86	+44
Advances	94,281	−1,359	25,973	−78	18,254	−108	18,579	−551	28,514	−585	2,961	−37

TABLE 3. INDIVIDUAL GROUPS OF BANKS'	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	74,214	+1,805	21,766	+449	15,105	+439	13,214	+423	21,692	+397	2,438	+97

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 30

Indices

NEW YORK -DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

New York Active Stocks

TORONTO

MONTREAL

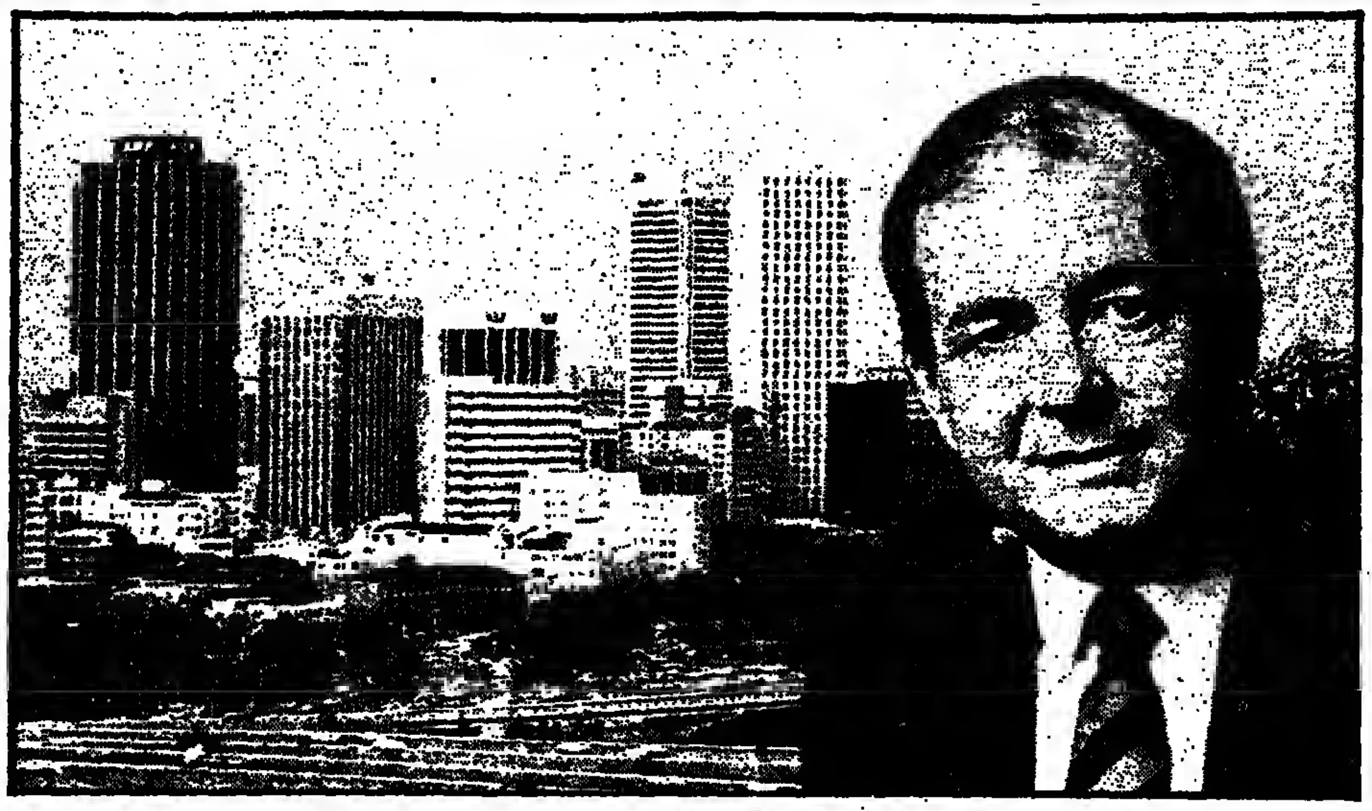
هكذا من الأصل

FINANCIAL TIMES SURVEY

WESTERN AUSTRALIA

With numerous big resource projects planned or underway, events are on the move in the frontier State of Western Australia, which is courting China, Japan, Korea, and other key customers in Asia and the Western Pacific. Contracts for the massive export phase of the A$11bn-plus North-West Shelf natural gas project, off Dampier, are about to be signed.

There are also big developments afoot in iron ore, gold, oil, aluminium and diamonds. In its first two years, Premier Brian Burke's State Labor Government has done much to bolster confidence



Perth, the State capital and, inset, Brian Burke, the State Premier

IN THIS SURVEY

● This survey was written by Michael Thompson-Noel, Sydney Correspondent, recently in Western Australia, and by John McIlwraith in Perth.

No longer a well-kept secret

COVERING almost a million square miles—more than ten times the size of Britain—Western Australia is part-myth, part-continent, and part-frontier: an enormous *terrain*, much of it desert, that is studded with riches.

It used to be called Australia's best-kept secret. Not any longer, now that its resource wealth is being seriously tapped.

MICHAEL THOMPSON-NOEL reports from Perth

Give or take a bit, WA accounts for a third of Australia's area, a tenth of its population, nearly 16 per cent of its farm production (including a *third of its wheat*), a fifth of its mine production, and a fifth or more of *all exports*.

Its mineral resource wealth is huge—iron ore, aluminium, nickel, oil, gas, coal, gold, salt, diamonds, and mineral sands—and its current mood, following a quickening of negotiations with China, Japan, Korea, and other key customers, one of definite optimism.

Moreover, Western Australia is currently in the hands of a middle-of-the-road state Labor Government, presided over by premier Brian Burke, 38, that has worked hard over its first two years to win private sector confidence.

As a result, its standing with a *broad range of business*, industrial, and entrepreneurial interests is far higher than the state Opposition parties, which are by no means mealy-mouthed, would like or could admit.

Aided by the same luck and time-frame that has assisted Mr Bob Hawke's federal Government in Canberra, as well as by its own efforts, the Burke Government maintained last month that in its two years in office there had been an encouraging recovery in the WA economy. Demand was up, employment higher, and new investment growing.

In Mr Burke's view: "We have endeavoured to maintain and *expand WA's traditional economic* strengths—the agricultural and resource industries—while also *seeking* to diversify the state's economic base with emphasis on tourism, *high* technology, and small business.

"Resource development looks highly promising, with firming markets for many of our minerals, including iron ore and nickel."

He adds: "The social and legal reform programme of the Government will demonstrate a sense of moderation: social progress at a steady pace."

For divertissement, the state is already gearing up for the 1986-87 defence of the America's Cup, yachting's blue riband, *off* Fremantle, near Perth, which is likely to draw challengers and tourists to Western Australia in great numbers, and is serving as a catalyst for tourist-related development worth more than A$1.5bn (£810m).

Cup organisers say they expect between 12 and 16 foreign challengers, and between four and six would-be defenders, whose combined spending, aided by *sponsors, is unlikely to be* less than A$200m.

Easily the biggest of the resource projects currently on the go *is* the A$11.2bn North-West Shelf natural gas venture off Dampier, Australie's biggest energy project, in which the remaining partners, following the takeover of Woodside Petroleum by Broken Hill Proprietary (BHP) and Shell Australia, are BHP, Shell, Chevron, BP, and Mimi (Mitsui and Mitsubishi of Jepan).

The first domestic gas from the North-West Shelf flowed last August. Whatever reservations may be held about the pricing policy adopted by the state *government, it seems* likely, as Mr Burke says, that *North-West Shelf gas* will eventually help transform WA's economy *and industry*.

In any case, contracts for the project's A$8.5bn liquefied natural gas export phase are expected to be signed by a group of Japanese utilities any day now, signalling a jobs and construction boom.

Another big project which the Burke Government *says* will definitely come to pass is a *A$750m aluminium smelter* near Kemerton, north Bunbury. *It has had its share of troubles.* The WA Government is now *considering taking a 20 per* cent stake in the smelter (against nil previously), alongside Reynolds Metals, Griffin Coal, and Korean interests (yet to be finalised).

The State Opposition leader, Mr Bill Hassell, has vigorously attacked the smelter decision es "nationslisation by default" — as he has a range of moves, including establishment of the Western Australian Development Corporation (WADC).

WADC interests include the Western Australian Diamond Trust, and a joint venture with Industrial Bank of Japan, which is establishing a new A$100m bank based in Perth.

The WADC chairman *is* Mr John Horgan, chief executive of Metro Industries, who heads a high-powered board.

However, Mr Burke insists it is not the Government's intention to foster hot-house industries which depend on continued Government support for their survival, and maintains that the state Energy Commission will not increase domestic or commercial electricity tariffs because of the smelter. He also argues that it is important that Australian ownership be maximised.

Of equal significance is a current joint feasibility study between *Hamersley Holdings* and the Chinese Government for a new A$160m iron ore mine at Channar, near Parahurdoo, in the Pilbara region, which was recently visited by Mr Hawke accompanied by Mr Hu Yaobang, general secretary of the Chinese Communist Party.

New projects

Other resource projects on which work is well underway, or due to start shortly, include the Harriet oilfield (where a seven-company consortium is led by Bond Corporation), a clutch of new goldmines, several mineral sands projects and the second stage of the Argyle diamond *mine*. Located in the Kimberley area, Argyle will have a significant *impact* on the *world* diamond market when mining of its AK1 pipe starts next year at a production rate of 25m carats per annum. When full out, Argyle will contribute about 30 per cent of world production of natural diamonds.

An important strand to *current industrial policy is* WA's push to secure the assembly *phase of the Royal Australian* Navy's A$1.5bn submarine *replacement programme*. The Minister for Industrial Development, Mr Mal Bryce, says that over the years, Australia's military resources have become concentrated in the continent's south-east corner.

"Australia has a vast and virtually unprotected western coastline adjacent to vast offshore and on-shore *mineral* resources. Consequently, we have pressed the federal Government for increased military *presence in Western Australia*, and there are welcome signs that Canberra *is responding* to our case," he says.

Apart from defence, other industrial priorities include electronics and ship-building, as well as modernisation of existing facilities for metal fabricating, food processing, chemicals, furniture, construction, and light engineering.

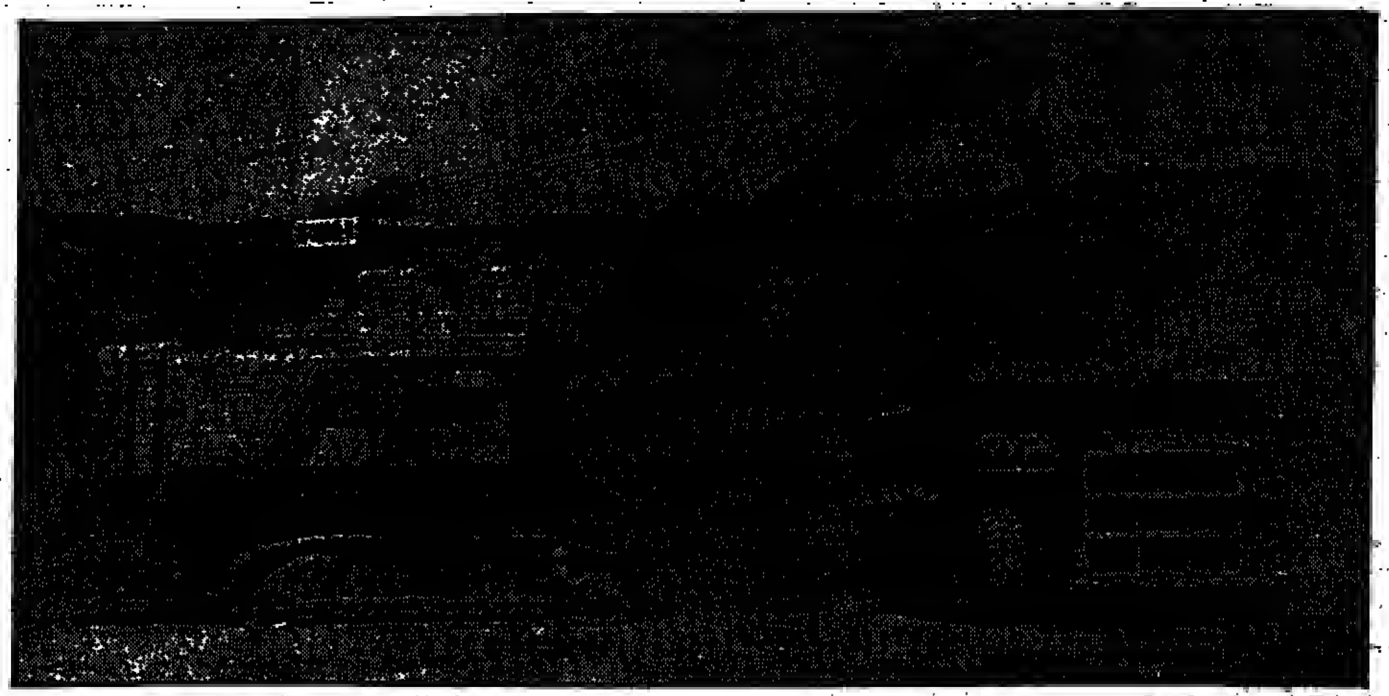
In Western Australia, businessmen are quick to tell you (as many do in Queensland) that they feel closer to south-east Asia than to the rest of Australia, and indeed they are.

Very early in the history of WA, the men who dreamed of *tapping Asia's wealth were soon* confronted with a struggle for survival. *As historian, Manning* Clark describes it: "*In 1846* the despairing settlers begged the British Government to make and declare this colony a penal settlement upon an extensive scale. So another society that had been conceived on the grand scale of putting a part of Australia into a world setting, connecting it with the civilisations of Europe and Asia, was metamorphosed by a barren land and human contrivance into a society concerned with more elementary problems of food and shelter . . ."

The pioneer spirit that persists today can have comic results. In the run-up to the WA state election in February 1983, Mr Ray O'Connor, then premier, told the former Australian Prime Minister, Mr Malcolm Fraser — a fellow Liberal — to "keep out" of Western Australia during the WA campaign.

Mr O'Connor lost. So did Mr Fraser. Mr Burke won. So did Mr Hawke. Although quick to speak his mind when Canberra displeases him, Mr Burke says he enjoys excellent relations *with the current federal Government*. One day he may even lend it submarines.

Recovery, growth, and substantial new investment. Those are three of the key aims of premier Brian Burke. However, the State Opposition parties are critical of what they see as interventionism and intrusion into business via Government-established organisations, such as the WA Development Corporation.



The State has vast mineral resources. Above: shovels load ore into giant haulpack trucks in the Pilbara mineral-rich area in the north of Western Australia

In pursuit of recovery

BY ITS own lights, Mr Brian Burke's State Labor Government in Western Australia has made significant progress over its first two years in pursuing three key aims. These have been to encourage growth and bolster the economy; achieve greater efficiency in Government operations; and pursue what Mr Burke—who is both State premier and treasurer—calls a moderate and cautious programme of legal and social reform.

There are still some bleak spots, including continuing difficulties in the engineering industry, which to date has enjoyed no real benefits from mining's partial recovery, plus the worryingly low real rates of return in agriculture.

Economic progress

MICHAEL THOMPSON-NOEL

Above all, there are problems with unemployment, including the level of youth unemployment, described by Mr Burke as being the most traumatic economic and social problem facing Western Australia.

In addition, the State as well as the Federal Government is grappling with the serious conflict caused by the need to restrain taxes and charges and the rising demand for costly welfare services.

The premier says that pursuit of recovery and growth has been by far the most consuming of the demands made on his Government, but says that the effort is paying off with substantial new investment underway, committed, or at the final feasibility stage.

Employment is up, and unemployment down. Between February 1983 and March 1985, total employment rose by 7.7 per cent to 615,100, while unemployment fell from 66,700 (10.5 per cent of the workforce) to 60,400 (8.9 per cent).

Underpinning this, in part, was continued recovery in minerals and energy, the total value of whose production in Western Australia in 1983-84 rose by 7.4 per cent to A$3.8bn (£2bn), the rise being largely accounted for by increased output of iron ore (A$1.6bn), alumina (A$797m), and diamonds (A$61m, but due to rise sharply).

Production

At the same time, the value of Western Australia farm production in 1983-84 fell by 11.1 per cent to A$1.95bn, following a record year in 1982-83. The fall was mostly attributed to a decline in both the quantity and price of wheat.

At the time of the 1984-85 WA budget—only the second state Labor budget in a decade—last October, Mr Burke said the major factors in a changed budgetary climate had been the strong upturn in the State and national economies, and the time and effort devoted to "restoring stability in the state's finances."

There had been a remarkable turnaround in the WA economy, he said: profits had improved, interest rates had generally fallen, inflation had eased, growth had been strong, housing was buoyant, and confidence was returning.

Among the highlights of the budget were a business and employment stimulation programme costing A$48.6m in a full year, a A$12m high technology programme, an increase of 59 per cent in funds for the Department of Industrial Development, an increase of 44 per cent for the Small Business Development Corporation, and an 81 per cent boost for tourism.

Overall, the capital works programme unveiled totalled A$1.2bn (+63 per cent), after leaving aside the State Energy Commission's (SEC's) programme, now much reduced after completion of the Dampier-Wagerup gas pipeline.

Nevertheless, the SEC still has a fair workload, including significant outlays on integration of the Pilbara power supply, the Eastern Goldfields transmission line, and Stage D of the Muja Power Station.

Overall, Mr Burke said that WA budgetary revenue in 1984-1985 was expected to grow by 6.8 per cent to A$2.84bn and expenditure likewise.

"Despite the introduction of substantial tax cuts and the holding down of charges, the accounts are in balance," says the Premier, adding that he believes WA is "poised for a new surge of economic growth over the last half of this decade."

Last month Mr Burke expressed support for the Hawke Government's declared aim in holding down federal budget outlays in 1985-86, but said it would be counter-productive if federal restraint was achieved at the expense of the states—an important signal of which Canberra is bound to take notice.

"Payments to the States make up about one-third of the Commonwealth's (federal Government's) outlays," says Mr Burke, "but there is little point in the Commonwealth simply offloading its deficit on to the States because much of the expenditure incurred by the States is fixed."

He says that it was estimated that in 1984-85, WA's real recurrent expenditure would rise by less than 2 per cent compared with an average annual rate of 6.9 per cent during the term of his predecessors.

Similarly, the WA Government had also attempted to stimulate economic activity by reducing payroll tax, land tax, the financial institutions duty, and some stamp duties.

He adds: "The Commonwealth's aims and our own are the same—reducing unemployment and maintaining economic recovery. They can only be fully realised through co-operation and complementary policies."

According to a recent review of the WA economy by Perth-based property group Armstrong Jones Management, the signs in WA are mostly bullish, given that prospects are based on plans already known or on developments that have begun or are virtually confirmed.

It says the State Government's "rational approach" to resource development, and its encouragement of enterprise, have created an atmosphere for private sector initiative, and that the "combination of energy, a stable political and economic environment, and almost unlimited natural resources must inevitably lead to the establishment of new industries here over the next decade."

Reports

In the March quarter this year, some 69 per cent of companies contacted by the Confederation of WA *Industry's* Survey of Business Opinion described their trading conditions as being satisfactory or good, against 78 per cent in the December quarter last year.

This relatively small fall followed six successive quarters of rising business confidence from its trough in the June quarter of 1983.

In forecasting conditions over the next three to six months, respondents were generally less optimistic than in the previous survey. Around 55 per cent of firms expected economic conditions to remain the same over the current (June) quarter, 21 per cent expected an improvement, and 22 per cent a deterioration.

Whatever the progress or claims made by the Burke Government, they are scoffed at by Opposition leader, Mr Bill Hassell, who claims that Mr Burke has succeeded in projecting himself as a supporter of private enterprise, whereas the reality is that his Government is fully committed to interventionism and regulation.

"It's all about image," says Mr Hassell. "In fact, Burke is the captive of the left-wing unions. What he has done—and he has done it very subtlely—is put in place a socialist apparatus."

Last month, Mr Hassell said there was no room for a continuation of Government intrusion into business via the growing number of business corporations established by the Burke Government, such as the WADC, the WA Diamond Trust, WA Government Holdings, Exim Corporation, and so on.

If the WA business community was not aware of exactly what Mr Burke's Government was up to, says Mr Hassell, "then it must be made aware before the rampant socialist beast breaks into a canter."

Last November, the WA Liberals produced their own policy options paper on the WA economy and employment, which listed 46 main recommendations.

Among them—in no particular order—were these: voluntary employment contracts in small business; a more flexible working week; permanent part-time work; a review of tariff disadvantages suffered by WA; international charter flights to WA, plus a direct air link between WA and Japan.

Other recommendations include an upgraded Indian-Pacific rail passenger service, possibly with private sector involvement; flexible working hours in the tourist and hospitality industries; reform of the existing industrial relations system; establishment of a one-stop shop for Government approvals; impact studies on all new legislation; voluntary trades unionism.

Tax rebates

Further recommendations are payroll tax rebates or tax holidays for a specified period when a firm takes on new employees; a constant review of the Mining Act and its regulations; creation of an energy planning body, and special efforts to maintain a stable rural workforce.

Although the Burke Government has worked hard to forge good relations with business, it is clear that in the run-up to the next State election it will be harried unmercifully by Mr Hassell and his Liberals, who have recently gained ground in the polls. Comparisons with the Hawke Labour Government in Canberra may be facile, but from now on Mr Burke and his Ministers will have to run hard and tread softly.

Premier's 17-day visit to Europe

MR BRIAN BURKE, the 38-year-old Premier of Western Australia, is currently engaged on a 17-day visit to Europe during which he will hold discussions with senior government representatives, industrialists and bankers in four countries.

The visit, which lasts until May 22, will take Mr Burke to the UK, Italy, Belgium and Norway, and he will be accompanied by Mr John Horgan, chairman of the Western Australian Development Corporation, and Mr Bruce Beggs, a director general of the Department of the Premier and the Cabinet.

Mr Burke, who has been leader of the State Parliamentary Labour Party since 1981, led the Australian Labour Party to one of the most decisive political victories in the state's history in February, 1983.

The visit stems initially from an invitation from the Norwegian Government.

Dyno Industrier AS, a Norwegian company, is establishing a joint venture with Westralian Forest Industries to build a $5m resin plant near Bunbury. The possibility of further business and trade links with Norwegian interests will be explored during the Premier's stay in Osloe.

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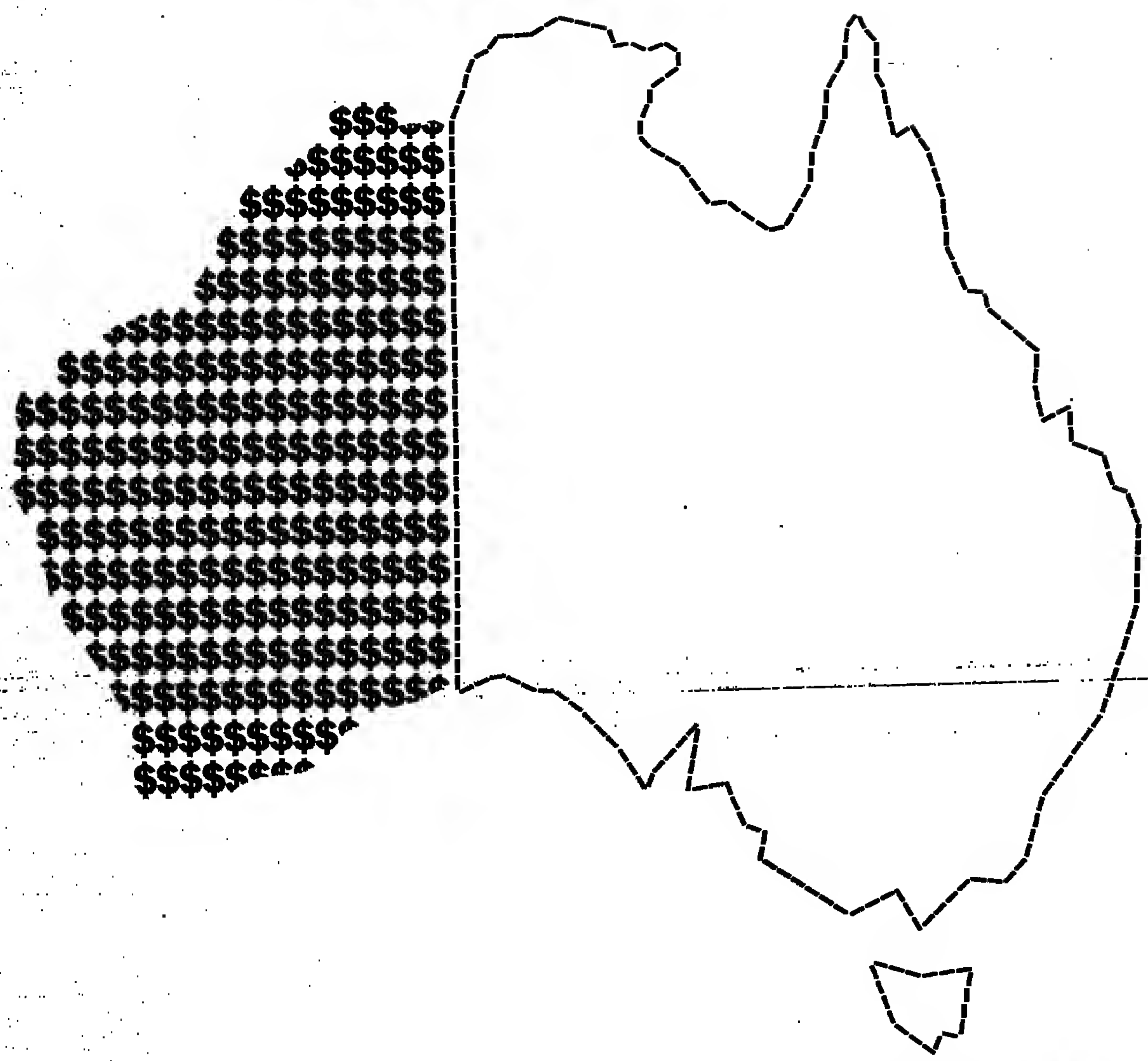


Western Australia—a place where you'll see farms the size of Wales, mines as big as counties and such awesome developments as the $8.5 billion North West Shelf Gas Project and the world's potentially largest producer of natural diamonds at Argyle in the Kimberly.

Nowhere is the scope for investment so enormous.

The First Step

Investors seeking to establish industrial ventures in Western Australia may be surprised to learn the best advice and support is free.

It comes from the Western Australian Government's new Venture Task Force—a highly specialised arm of the Department of Industrial Development.

Testing the Waters

The Venture Task Force offers in appropriate cases, to make a preliminary study of the potential for new industrial investment in Western Australia. Should further studies be required the Venture Task Force will recommend private consultants and, prepare an independent overview for the prospective investor.

Avoiding Delays

To minimise delay in negotiations and expedite formal agreements the Venture Task Force will ensure tight, smooth co-ordination of infrastructure agencies, State and Federal Governments, finance organisations, private companies and potential joint venturers.

As a "one stop shop" the Venture Task Force will also 'fast-track' investment inquiries through the Government and private sector network.

Financial Support

The Western Australian Government is able to offer direct financial assistance to pioneer industry offering substantial benefits to Western Australia. In appropriate cases, the Western Australian Government provides special deferred payment terms on fully serviced industrial sites.

To Find Out More

To find out more about the investment potential of Western Australia and how the Venture Task Force resources can work for you, contact the Agent General for Western Australia today. Phone No. 01-240-2881.
Address: Mr Ron Douglas, Agent General, Government of Western Australia, Western Australia House, 115 Strand, LONDON WCR OAJ UNITED KINGDOM or
Director/Venture Task Force, Department of Industrial Development. Phone No. 327-5555.
Address: The Department of Industrial Development, 170 St. George's Terrace, PERTH WESTERN AUSTRALIA 6000.

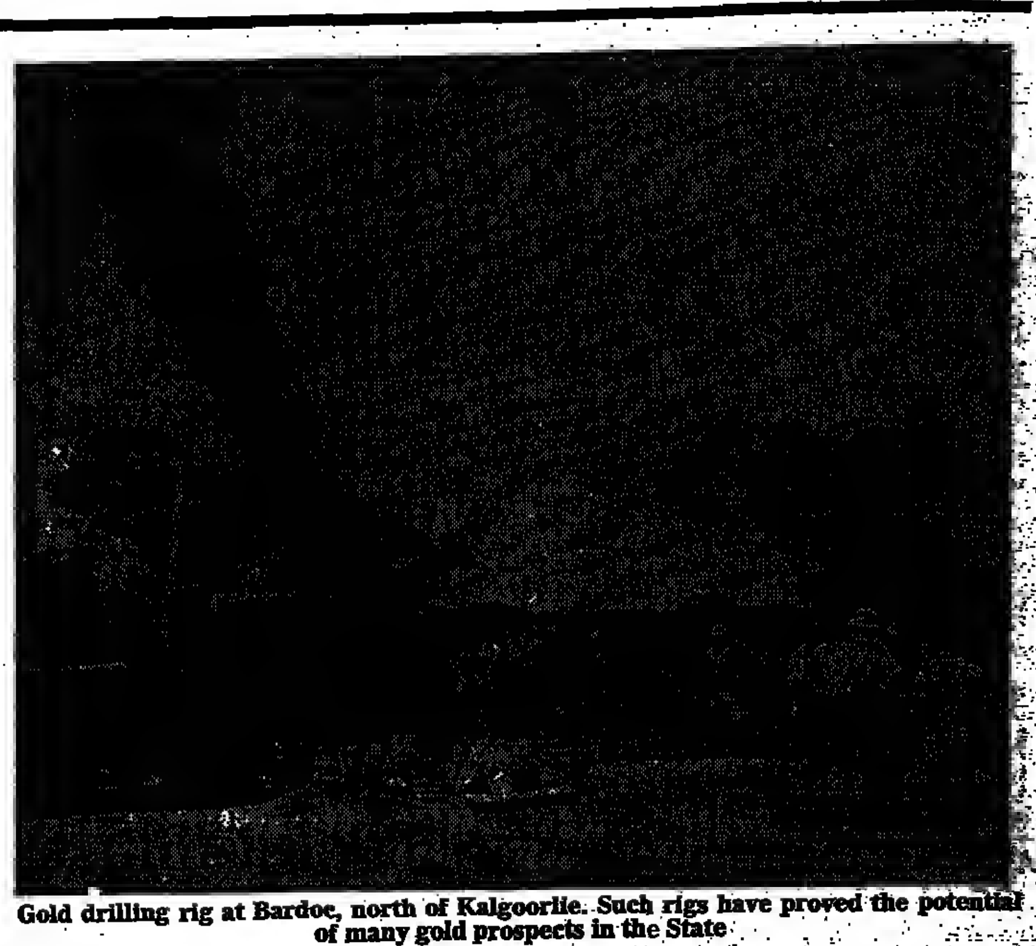
Department of Industrial Development

JMA 3524

THE big development and expansion plans for the State's resources have created increasing confidence. Gold production has doubled in a few years and many companies are actively looking for more.

Diamonds are expected to begin flowing from the huge Argyle project next year. And new iron ore projects, with China as a prospective customer, indicate an end to a long recession in this industry.

The prospect is that modern management and extraction techniques will give the entire sector a new lease of life.



Gold drilling rig at Bardoc, north of Kalgoorlie. Such rigs have proved the potential of many gold prospects in the State

Plans to double output

Gold

JOHN McILWRAITH

GOLD, which launched the West Australian economy nearly a century ago, provided a buffer against the recent slump in commodities.

Only gold showed any sign of spectacular growth among the metals mined in Western Australia during this time.

Plans for expansion are expected to double the State's gold output, which contributes about 80 per cent of Australia's total production.

A few years ago the State mined less than 500,000 ounces e year. The figure has since doubled and is expected to reach 2m ounces in the next couple of years.

The boom has been particularly beneficial to remote areas, and to mining consultants and engineering firms which would have had a lean time, during the recession.

It is estimated that 150 companies in Western Australia are looking for gold, and et least a proportion of these are likely to launch new ventures in the next year or two.

About 20 mines of reasonable size have been commissioned or are planned and they range from those producing only a few thousand ounces a year to some which will add between 5 per cent and 10 per cent to Australia's gold production.

There have been some surprises. One is the discovery of e major ore body, only two hours' drive from Perth on permit areas which were taken out for the State's vast alumina industry.

The Boddington gold prospect, being planned by the partners in the Worsley alumina project, including Shell and BHP, could be one of Australia's biggest mines.

Another intriguing prospect is not far away in the attractive farming area of Donnybrook, where BHP and several other companies are examining a new type of gold geology for the State which could be a big producer in the future.

Such ventures in lush and heavily timbered hills are far removed from the traditional Australian gold landscape of semi-desert and red dust.

Most of the discoveries made in Western Australia recently have been extensions of mineralisation first found 50 or even 80 years ago, and which are made economic again by modern mining and extraction techniques.

The recent weakness of the Australian dollar has made the industry even more attractive and there has been a sharp rise in gold share prices.

At today's prices, usually marginal gold ventures would be profitable, but it would be hazardous to proceed with them in an industry where the market is so volatile.

There is a wide safety margin, however, for most of the new open-cut projects that are being launched in Western Australia.

They have a break-even point of between $A250 and $A300 an ounce, and current prices in Australian dollars are above $450.

This means that an open-cut project with grade of between six and seven grams per tonne (about a fifth of an ounce) is highly profitable, for each tonne of material mined will yield at least $A100.

Mining and financial costs are unlikely to be more than half this figure.

High costs

Where mining extraction costs are particularly low, such as in alluvial deposits, miners are making money with grades of even less than one gram per tonne—or one part per million.

The high cost of establishing deep mines has meant that little of this type of development has taken place in recent years.

Established underground mines at Kalgoorlie have been expanded, and they have a long life; but do require a higher break-even point in gold prices.

For companies such as Western Mining Corporation, the gold boom was indeed welcome as its traditional money earner, nickel, faltered.

Weak nickel prices meant that at one stage the WMC mine at Kambalda, one of the world's most efficient, was losing money.

It was only an associated gold mining operation there which provided e strong positive cash-flow and WMC's other gold interests throughout the State were also highly successful.

Gold's recovery has meant that the city of *Kalgoorlie*, one of Australia's more durable goldmining centres, has enjoyed a prosperity not seen for many years.

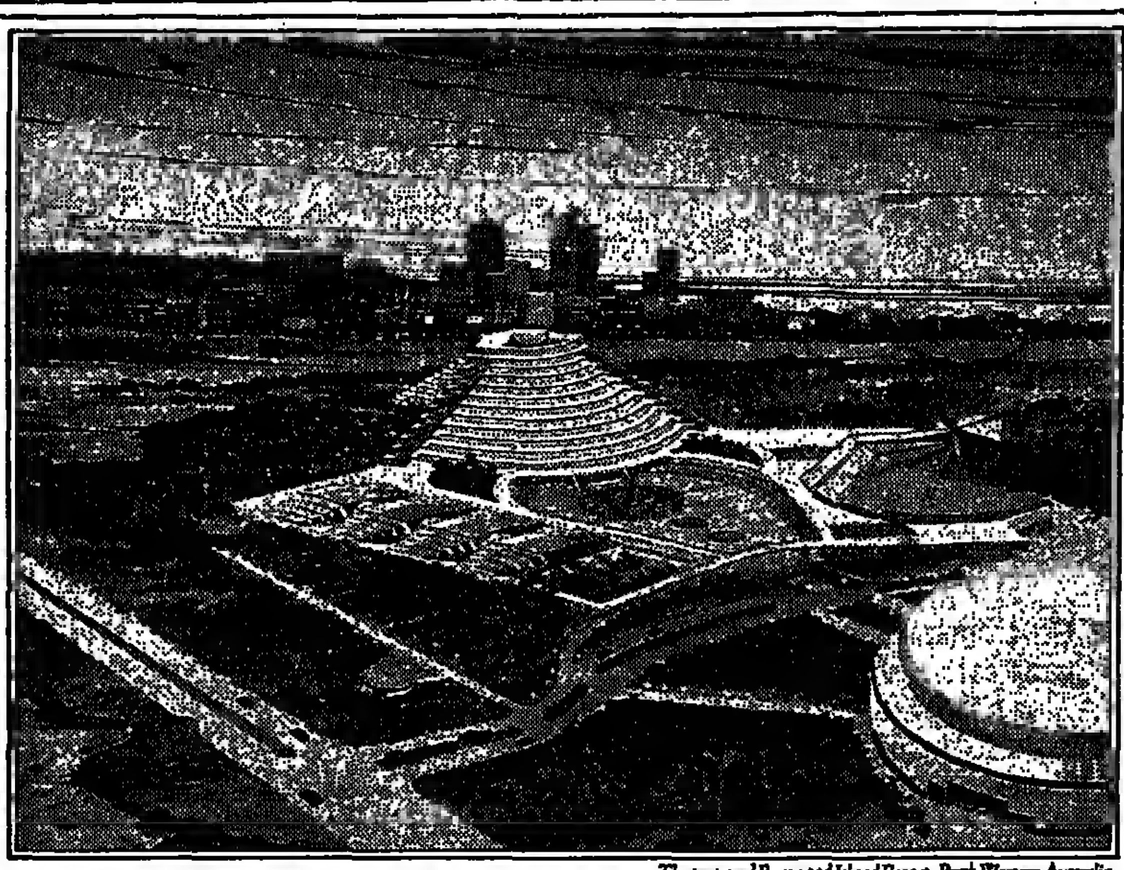
A boom in building and investment has given the old town a fresh face, without robbing it of its unique frontier-town etmosphere.

A number of smaller gold towns, many of them almost abandoned before the recent resurgence, have enjoyed renewed life and small mines are springing up around them.

Despite the rapid increase in production, Western Australia is hardly likely to regain its dominant position as a world producer.

Australia's expanded production *still* puts it e long way behind Canada and the U.S., which, in turn, are modest producers compared with South Africa and the Soviet Union.

Even so, its contribution to Western Australia's economy in the past three years has been considerable, and there is every sign that this will continue at least in the next year or two.



The proposed Burswood Island Resort, Perth Western Australia.

Vast project in remote area

Diamond mining

JOHN McILWRAITH

THE FIRST diamonds will flow from the biggest mine in the world by early next year.

The Argyle project has suffered several problems over the past two years: first, tortuous negotiations with the West Australian Government, then, this year, a jurisdictional dispute involving two unions.

None of this detracts, however, from the great potential of the AK1 pipe, which will produce 25m carats of diamonds a year from ebout 3m tonnes of material.

It represents an increase of 40 per cent over current world production.

The vast size of the project and its remoteness has provided great challenges for the group of companies sponsoring the venture.

The Kimberley region, where the pipe was found, is almost as remote as the moon, even for Australians. It is more than two hours by jet aircraft from the state capital, Perth, and the region's population of a few thousand is scattered across a rugged terrain with an area the size of the British Isles.

Welcomed

When *work construction* began on the main project at Argyle, last year, it was the only major resource project in Australia, and for that reason has provided a welcome filip for the State's economy.

A dispute with the West Australian Government, which was settled in October 1983, was over a poposal for an initial lump sum payment of royalties to the Government, which in turn it used to buy a 5 per cent interest in the venture.

This was later passed on to the newly-formed West Australian Development Corporation, a semi-Government body, and than hived off in a Trust, in which the public has units.

The dispute in recent weeks between two Australian unions is not yet fully resolved, but after a month a picket line, which had stopped supplies getting into the mine-site, was removed.

Despite this, the companies are confident that only minor delays heve been caused to the construction timetable and *they are still hopeful that the* project will be finished by early December.

An often-overlooked aspect of the Argyle operations is the production of alluvial diamonds from rich deposits from creek beds below the main diamond pipe.

In the first year they yielded 6.2m carats, *a major output* for any diamond mine in the *world.*

The operating costs of that project are relatively low, and the diamond stales have provided a welcome cash flow during the construction phase.

The operation has also yielded useful operating experience for the companies in the region.

An independent assessment suggests that this alluvial phase will yield total revenue of nearly $65m by the end of this year, which would normally be regarded as the output from a major project.

Yet it is considered as only a curtain-riser and the richer areas of the creek beds will mined out about the same time that the exploitation of the kimberlite pipe begins.

The Argyle venture is noted for its extremely rich grades—easily the highest in the world—but relatively low proportions of gemstones.

The better-quality gems will make up only about 5 per cent of the total production, compared with a figure of between 10 per cent and 20 per cent for most of the *world's diamond* mines.

There will be perhaps another 20 per cent which will be poorer quality gemstooes and this is where the market in the world diamood industry is strong at present.

The Central Selling Organisation, an arm of the diamond giant De Beers, has already discussed publicly the challenges of marketing the vast flow of industrial diamonds which will come from the mine.

In recent years this sector of the market has been dominated by synthetic diamonds, but De Beers believes that with the advent of a major, reliable source of natural industrials, markets will be found.

The return to the mining companies will, however, depend largely on the price being received for synthetics.

In any case, the overwhelming *proportion* of the *project's* revenue will come from the gems.

The diamond exploration boom that took place when the first discoveries were made around Ellendale (some distance away in the Kimberleys) *has now subsided.*

Ellendale is still held by the Argyle consortium, and a decision on its future developmant will not be made for some time.

It has a higher proportion of gemstones than Argyle, but a much lower grade in overall *production.*

Despite the disappearance of scores of speculative companies which emerged a few years ago, there is still some serious work going on.

At least two major ventures are proposed close to Argyle: mining alluvial material brought down from the AK1 pipe. And, on the Argyle site itself, the massive task of removing 20m tonnes of overhanging rock around the pipe has almost been completed.

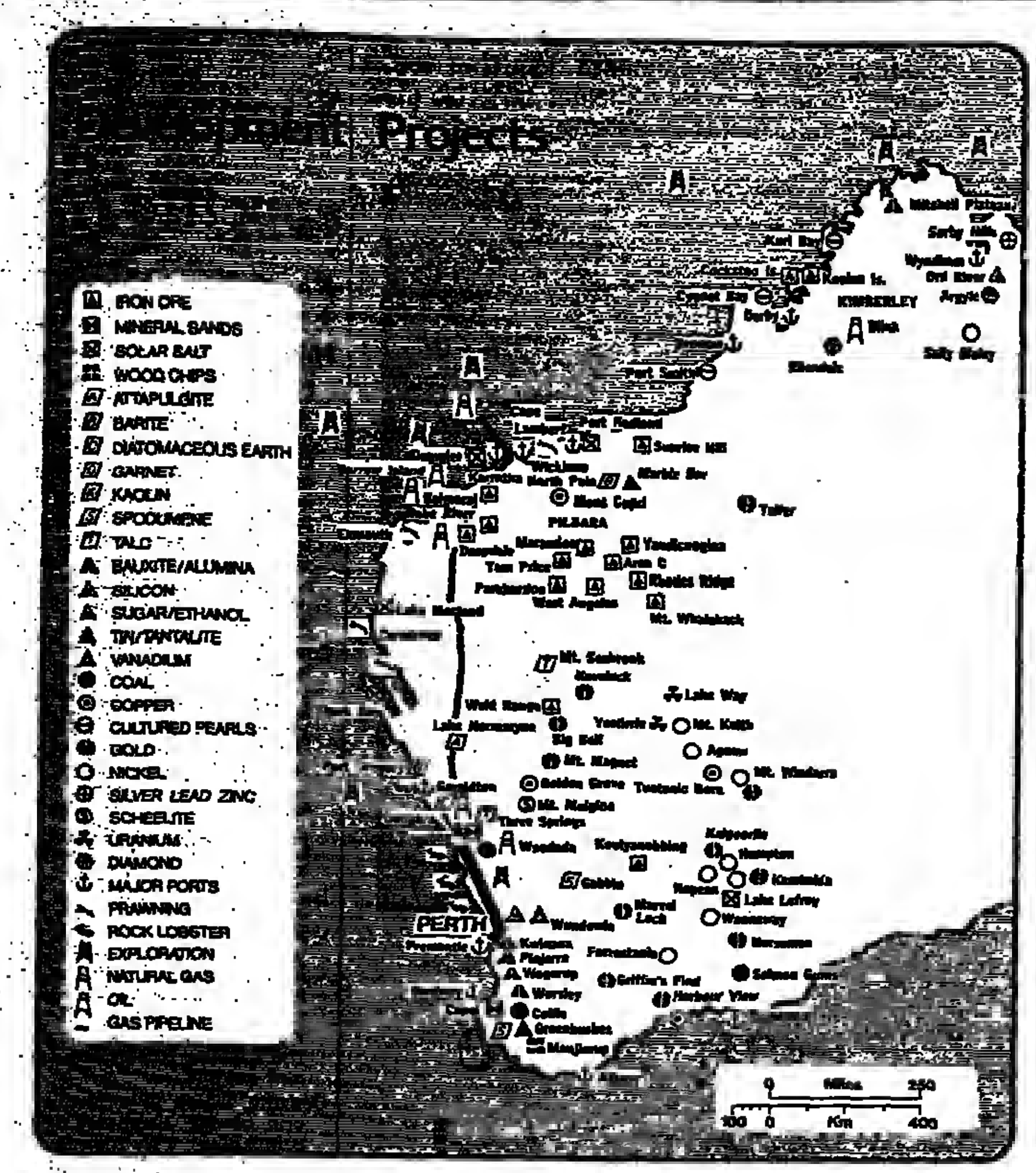
Work is still going on to *construct a comfortable village* which will house workers during their period on the site.

Argyle Diamond Mines made the decision to have its workers commute from Perth—rather like flying 500 people from London to Moscow every two weeks—rather than establish a major town with families.

A few key executives will live in the small town of Kununurra, a short flight away, and travel to work by light aircraft each day.

The commuting alternative was chosen because the experience of other companies which heve chosen it suggests there are far fewer industrial and social problems than when mining towns are thrust into remote locations.

The treatment plant, one of the biggest of its type in the world, is also partially completed, and will have the capacity to be expanded to 4.3m tonnes a year.



For millions of years, vast gas reserves have lain trapped beneath the Indian Ocean off Australia's north-west continental shelf. The challenges inherent in their discovery, development and utilisation are being met by the North-West Shelf Joint Venture.

Participants include Woodside Petroleum, BP Developments Australia, Shell Development (Australia), BHP Petroleum and California Asiatic Oil.

An engineer (right) adjusts a flare at a gas treatment plant

Sector prepares to expand again

Boost for iron ore industry

JOHN McILRAITH

THE IRON ore industry, which stimulated Western Australia's *spectacular growth in the 1960s, is about to* expand again.

For the first time in 15 years, new iron ore projects are planned, indicating an end to a long period of recession in the industry.

But it is not the Japanese steel industry—the industry's major buyer—which is seeking the new capacity.

The most likely venture is a unique joint venture between the Chinese Government and a local producer, Hamersley Iron.

Another factor, perhaps less imminent, is an equally unusual deal in which part of the new mine's ore would be sold on a barter basis, in return for mining equipment from Romania.

If both are approved, they would increase production from the Pilbara region of Western Australia—already the world's biggest exporter—by almost a fifth.

The region, which produces almost all of Australia's iron ore, produced more than 91m tonnes worth at least $A1800m in 1984, an increase of 25 per cent on the previous year.

The recovery was as sudden as it was welcome, with a variety of circumstances creating a hectic demand for the nine months from about March 1984, and continuing at a steady rate in the first few months of this year.

But it is the prospect of new *projects with surprising* partners that provides more interest.

A few weeks ago the State Government announced that a $A350m venture would be *launched with the support* of the Romanian steel industry.

CRA would share the development of the Marandoo deposit, in a joint venture with iron ore veteran Lang Hancock.

CRA has stressed that much more investigation will be required before this is launched. The venture would produce 10m tonnes of ore a year in its early phase, and cost $A350m to build.

Mr Hancock says other customers in Europe, the Middle East and Asia, are likely.

The *Chinese* project at Channar is closer to home, it would *produce a similar volume* of ore, but involve somewhat less investment *than* Marandoo. Both would share a railway, *port and other facilities* with Hamersley's vast operations.

The Channar proposal is only one of three possible new agreements between Pilbara producers and the Chinese to supply their expanding steel industry.

The others are with Mt Newman Mining (a project about the same size as Hamersley—each with a capacity of more than 40m tonnes a year) and the much smaller Goldsworthy Mining Company.

The fourth producer in the region is Cliffs Robe River Associates.

A welcome aspect of all these proposals is that it represents great diversity of markets. One of the producers' problems has been that an overwhelming proportion of their exports go to Japan, giving that country an inordinate influence over both volume and price.

Anticipated increases in Chinese purchases, the small but welcome incursion into Eastern Europe through Romania, and a growing interest in a number of smaller steel industries, all give the promise that within a few years the Japanese will be responsible for only about half the purchases of Pilbara iron ore.

Mr Hancock has been trying for 20 years to launch an iron ore mine of his own (he earns more than A$6m a year in royalties from Hamersley's operations). He is optimistic that the current proposal will lead to others in East European countries, because his ore will flow through a new canal, completed by the Romanians, which gives ready access to the Baltic and Danube basins.

The Italian group, Finsider, which for years has been holding out the prospect of a sponge iron project in Western Australia, still claims it is interested in the idea.

In the wake of two years in which iron ore prices have been reduced (negotiations for the coming 12 months are still in progress), the Australian companies have learned to be leaner, and more cost-effective.

Among the *major steps* taken to increase their competitiveness *was* the *improvement* of the three iron ore ports, so that bigger bulk carriers could be loaded.

The most extensive of these programmes, at Port Hedland for Mt Newman, is still being completed at a cost of $A75m.

There have also been improvements in handling facilities at the ports and a programme of upgrading equipment, some of which has been installed for many years.

All of this promises to maintain the region's rank as the biggest iron ore exporter in the world, providing a fifth of the tonnage traded internationally.

Recent *independent studies* of the world industry, which show only marginal growth overall, forecast a considerable level of expansion for the Pilbara.

It must be a subject of some self-congratulation that it not only weathered the slump in demand in reasonable shape, but also reacted swiftly when the opportunity arose to sell more ore.

Western Australia is already the world's biggest coal exporter. Major new customers are likely to include the Chinese Government

PROFILE: ROBERT HOLMES à COURT

A man of audacity

LAUGHTER echoed around the panelled walls of the City brokers' dining room, when it was suggested that an unknown Australian businessman would win control of a British media group.

Mr Robert Holmes à Court's assault on Associated Communications Corporation nevertheless came off.

Today, he runs a *world-wide* group of companies from a *modest Perth office. They have* annual sales of at least A$500m, have *consistently* improved profits for many years, and the *extent of his audacity is* still to be tested.

He is not the typical Okker pirate who is the stuff of Fleet Street mythology.

His inevitable grey suit, quiet manner an infinite courtesy belie his reputation for ruthlessness, for the unexpected attack.

His current attention is directed at *confirming* a *strong* bridgehead in the U.S. mineral *group, Asarco, mainly because* of its holding in the Australian *company, M. I. M. Holdings.*

Mr Holmes à Court enjoys the *struggle,* and *the* American taste *for* litigation is entirely to his taste (there have already been a series of court hearings over the Asarco holding).

It is only one area where expansion is considered. He still has long-term ambitions to have a major influence on Australia's biggest company, BHP, in which he has a major holding (that is, considering its wide spread of shares).

His interests range from the media operations of ACC, including films and TV, to a newspaper and TV group in Australia, earthmoving, oil, gas and minerals *and many* other smaller operations.

His daring is matched, he claims, by great caution.

Yet *he is best known for his* many and spectacular takeover *bids, some of which have succeeded,* but others have "*failed,*" leaving *him big* profits by quitting the substantial holdings he has built up. He is sensitive to the claim that *the bids are made only for this* latter purpose—all begin as a *serious attempt to gain control,* he says.

As *a young man who began* to build his empire with a small *textile* mill (which he still owns) in a West Australian country *town,* he quickly showed a brilliance in financial analysis which is the key to recent successes; the ability to see basic strengths in a company shunned by the markets, (ACC was a prime example).

His legal training offered no clue to his financial skills which, he says, take no esoteric shape—it is all just hard work, using conventional financial principles.

And work he does, 18 hours a day, with the ability to concentrate single-mindedly on a problem. Small-talk plays no part in his conversation, though he has a surprising sense of humour, and a relish for financial gossip.

He enjoys telling stories against himself. An example: soon after he acquired control of ACC, he attended a Hollywood party, still in a grey business suit, bizarre in that setting. A local producer who knew Mr Holmes à Court, noted his singular appearance as an outsider and said to him "You look like ET."

At home, with a charming Perth-born wife and three children, he is rarely off the phone. But he does have some *diversions,* those one would expect with his wealth—thoroughbred *studs (reputedly worth* A$15m), and a fine art collection *(he employs his own* curator).

Last year he was in London when one of his horses won *Australia's richest and most* famous race, the Melbourne *Cup.*

His wife Janet woke him *with the news,* which he took with great calmness.

For even his associates, Robert *Holmes* à Court remains an enigma, never showing any more than the most proper level of emotion, never revealing a vice or foible. However, they are united in their awe of his powers of logic, his ability to think laterally, and come up with an unexpected solution to a problem.

Yet his daring is matched, he claims, by great caution—"I never take a step unless I *know* there is an alternative available to me if I need it."

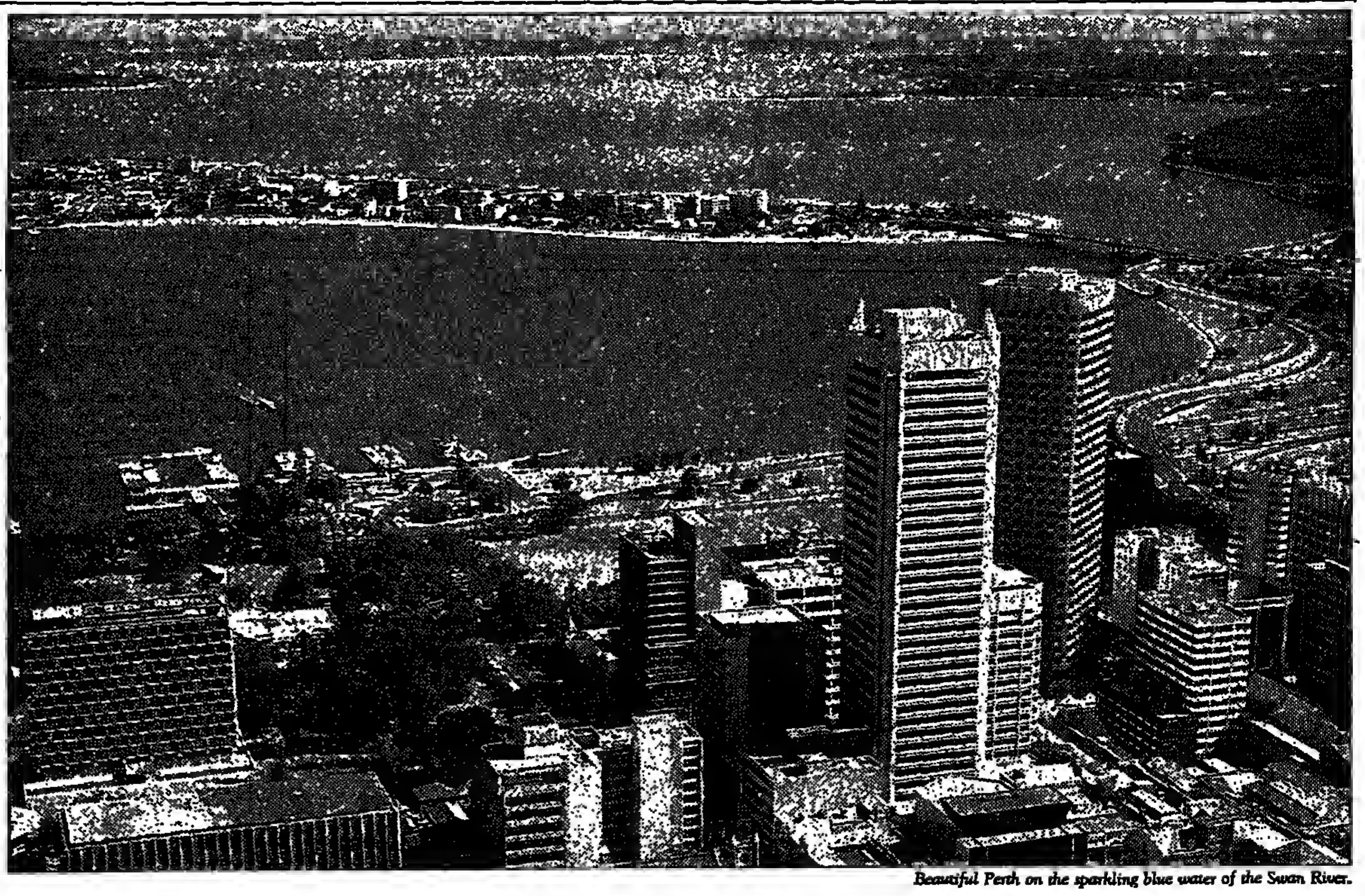
He regards most of Australia's more rakish businessmen with *distaste,* and in fact also remains largely aloof from the *local establishment.*

A piquant touch is provided by the contrast between *his* patrician manner (his forebears were the Heyteburys, and one of his studs and his family company have the name) and his insistence that he is a true Australian. He resents *any suggestion* of a remaining association with Zimbabwe, *where he was a child,* or South Africa, where he had his early education.

The single-minded, hard-working enigma may be Australian, but his ambitions are wider.

There is less laughter now when he begins one of his international incursions.

JOHN McILRAITH



Beautiful Perth on the sparkling blue water of the Swan River.

WESTERN AUSTRALIA 6

Industry

Western Australia has almost no smokestack industry. Instead, the State Government is keen to vault an entire stage of development, grafting techn ology-based industries onto the State's resource base. Special targets: electronics, defence, ship-building, chemicals and metal fabricating.

Perth: strategically located for hi-tech industry

Set to become more technology orientated

Industrial Sector
MICHAEL THOMPSON-NOEL

FOR MORE than a century, Western Australia has exhibited what Mr Mal Bryce calls a *traditional tonnage mentality*, which is understandable, given that its fortunes have relied and still rely on the bulk commodity earnings of mining and agriculture.

However, it is part of Mr Bryce's crusade as deputy premier as well as State Minister for Industrial Development, Technology, and Defeuca Liaison, to help transform WA's industrial mentality by *nudging* it on to a more technology-oriented footing.

"Western Australia is deprived of traditional heavy manufacturing because of its relative *isolation* and *low* population," he says. "Indeed, in 1985 we can be somewbat pleased that we don't face the traumas caused by smokestack industries in the United States, Europe, and the eastern states of Australia.

"However, our lack of heavy industry means that WA is poised to leapfrog an entire stage of development. For a start, we're closer to Singapore, Hong Kong, and the rest of South-East Asia than most of the rest of Australia."

In March, when speaking at a three-day Western Australian building and construction trade exhibition in Hong Kong, which may have generated export orders worth more than A$40m, Mr Bryce said he fully realised that customers were not going to come beating on WA's doors, which was why the State Government was so actively seeking fresh markets.

The range of WA products ou display in Hong Kong included solar heat water systems, energy recovery equipent, water treatmeut plants, shada control systems, timber and plaster products, steel doors and frames, and portable timber buildings, some of which gained likely orders from Hong Kong, China, Macao and Taiwan.

Mr Bryce says there are twin thrusts to curreut WA industrial policy: modernisation of existing industry, particularly metal fabricating, food processing, chemicals, furniture, construction, and light engineering; and encouragement of uew science-based industries.

Apart from chemicals and metal fabricating, special priorities include electronics, defence, and ship-building (small, fast, custom-built craft, such as expensive leisure boats, patrol-boats, tugs, and trawlers).

At a seminar last mouth, Mr Bryce said that WA was well-placed to host a successful electronics industry, given that it already employed 1,500 and had a turnover of A$72m, of which 35 per cent or more is exported.

A key organisation is the WA Technology Development Authority, which is responsible for a A$6.1m Technology Park at Bentley, near Perth; a Technology Development Fund; and an infrastructure development plan.

The park's facilities include conference rooms, exhibitiou area and small theatre; an R&D block for small incubator companies; enterprise units for companies reaching the commercial stage; and bigger units for companies wishing to relocate their whole R&D and assembly operations at the park.

The Technology Development Fund will operate four programmes: an R&D loan scheme, business planning grants, product refinement loans, and equity investments.

Of some importance in WA political circles, and to the state's industry, is the State Government's push to secure tho assembly phase of the Royal Australian Navy's A$1.5bn submarine replacement programme—and indeed its argument that Australis's submarine force should bo located on the country's west coast by 1990.

Mr Bryce claims that a decisiou to assemble Australia's uew-generation submarines at Cockburn Sound, uear HMAS Stirling, south of Fremantle, following a construction programma in which all states would share, would help give Australia the opportunity to develop defence self-reliance. HMAS Stirling is a modern but under-utilised defence facility.

"If this opportunity is lost," he says, "we may expect Australia's submarine fleet to be fragmented between its construction site, its operating base and area of operations, and its training facilities."

He says that at present, a lot of submarine cruising time is being wasted because their present east coast base is becoming increasingly irrelevant to regions that are strategically important to Australia.

"Vice-admiral David Leach (the recently retired Chief of Naval Staff) has rightly warned than threats to our off-shore resources — fishing grounds, oilfields, and mineral deposits — and territories such as Christmas and Cocos Islands, could be Australia's major military challenge of the future. Such resources and territories are strongly oriented to the west coast. It is crucial they be secure from a defence viewpoint."

Earlier this year, Canberra reiterated its commitment to the location of a A$13m submarine escape training facility at HMAS Stirling; transfer of the destroyer escort, *HMAS Swan*, to Stirling later this year, bringing Stirling's complement to two destroyer escorts, three patrol boats, one survey ship, and numerous support craft; the completion of an RAAF air base at Derby, on which an estimated A$9.5m will be spent this year; and development of a regional surveillance unit in the Pilbara over the next five years.

Mr Bryce says that Australians are painfully aware that, compared with some other countries, Australia has uot applied itself to the packaging and presentation of its skills in a whole range of areas, from computer services and engineering skills to finance and architecture. For Western Australia particularly, learning to attract and package these skills is uow of some importance.

Profile: Ralph Sarich

A local hero and the toast of Perth

AUSTRALIA'S CURRENT infatuation with high-tech stocks has produced at least one authentic hero: Perth inventor Ralph Sarich, whose Sarich Technologies Trust *(STT) is the darling of the* markets and whose personal wealth—already considerable—is likely to soar if STT's Perth-based Orbital Engine Company (OEC) is able to secure international marketing agreements with leading engine manufacturers.

In 1972, says Mr Sarich, OEC was a A$76,000 company. Today, STT is worth about A$400m, thanks to s clutch of developments stemming from OEC's development of an orbital engine invented by Mr Sarich in 1969.

Of the A$14.4m spent on development to the and of last year, A$11.3m was provided by Broken Hill Proprietary (BHP), Australia's largest company, which togeher with STT is a major shareholder in OEC.

OEC has numerous strings *to its bow*, of which the most notable include a manifold fuel injection system, currently being tested in Europe, the U.S., and Japan; an in-cylinder fuel delivery system that is described as particularly advantageous in two-cyclo operation; and an orbital power booster designed to improve the power output of outboard motors at normal operating speeds.

Of the majors, special interest in Mr Sarich and his inventions has been shown by General Motors and Outboard *Marine Corporation*, though the agreements are quite broad at present.

However, there are firm hopes that one or more of these products will be adopted commercially. On some estimates, OEC might be capablo of generating an annual royalty income of A$60m or more from products stemming from its orbital engine programme to date.

Mr Sarich *is* a nuggety individual whose energies have already made him rich. Apart from winning vital support from BHP, he has learnt how to penetrate the top echelons of the world's biggest car companies, which have helped him re-define and re-target OEC's research.

Potter Partners, the Australian sharebroker, observes that OEC's products have "reached an advanced stage of technical excellence in an environment of critical technical and commercial sppraisal," and one largely devoid of short-term *funding* constraints.

No wonder Ralph Sarich is the toast of Perth.

M.T.N.

Profile: Oceanic Equity

Vigorous appetite for growth

PROMINENT among the newest generation of Australian tycoons is Mr Mark Hohnen, 35, a former jackeroo and beef farmer who now presides, with considerable aplomb, over the Perth-based Oceanic Equity, a fast-growing group whose interests already span funds management, resources, motels, winemaking, and property development and management.

Compared with WA's two best-known corporate raiders and entrepreneurs, Mr Robert Holmes à Court and Mr Alan Boud, Mr Hohnen still has far to travel. For example, in its latest half-year to December 31, 1984, Oceanic's turnover was just A$23.4m and its net profit, after interest charges of A$1.45m, a modest A$200,000.

However, its appetite for growth, and the vigour and apparent skill with which its young chairman launches himself into fresh fields, indicates a bright future for a group whose base is WA, but whose interests extend to the eastern Australian States and beyond.

Oceanic, which is controlled by one of Mr Hohnen's family companies, TW Investments, has been reorganised into six operating divisions, each with its own directors and management:

- Funds management: Twelve private property trusts have been merged to form Pacific Property Trust, a A$45m venture with interests in New South Wales, Victoria, and Queensland.

Oceanic also operates tha now-listed First Australian Gold Fund, which could grow to A$20m over the uext 12 months, plus a mortgage, an equities, and a property growth trust. All told, funds managed stand at A$110m, but rapid growth is expected, the target for funds under management being A$450m by 1989.

- Energy: Oceanic has 60 per cent of Queensland-based oil and gas explorer Apex Oil, which has interests in a gas discovery in the Gulf of Mexico, plus promising Australian interests.
- Western Resorts Corporation: This has 25 hotel-motels, and is seen by Mr Hohnen as well-placed to capitalise on WA tourism and leisure when they boom.

"The days of Qantas being able to control the flow of tourists into Australia are numbered," he says succinctly

- Capa Mentell Vineyards (80 per cent owned by Oceanic): This already runs a small (200 tonnes) but immaculate and prize-winning vineyard and winery at Margaret River, a bucolic spot near Australia's south-western tip, and is establishing a 300-to-400-tonne operation in New Zealand, where the tax climate for winemakers, says Mr Hohnen, is "streets ahead of Australia."
- Margaret River Land Holdings: Interests include about 500 hectares of prime development land at Margaret River, where Oceanic has hopes of a significant tourist development that pleases tha town, if not the local surfie-environmentalist types.
- Auto Investments: Interests include the Ford dealerships in Bunbury and Albany, and the Collie Mail uewspaper.

Giveu *Western Australia's* propensity for producing high-fliars, Mr Hohen is one up-and-comer that the markets are watching.

M.T.N.

Defeat of Land Bill is setback for Mr Burke

Aboriginal policy

MICHAEL THOMPSON-NOEL

A MAJOR BLOW to the Burke Government of Western Australia was the death, last month, of its Aboriginal Land Bill, which was defeated in the opposition-dominated State Legislative Council.

At once, there was a flurry of rhetoric and name-calling — plus the ineradicable feeling, in some quarters, that an opportunity to improve the lot of Australian society's most disadvantaged group, the Aborigines, had once again been squandered.

The premier, Mr Burke, said that the defeat of the Bill was "scandalous and shameful" — that a piece of cautious and moderate legislation tailored to WA needs and enjoying broad support had been jettisoned irresponsibly, creating a vacuum into which potentially unsuitable federal legislation, authored by the Hawke Government in Canberra, might now flow.

In starkest contrast, Mr Bill Hassell, the Opposition leader in WA, claimed that once again WA had been protected from "extremist legislation" that sought the division of the state into "black and white land," adding: "The real future to be considered is the development of Aboriginal people as individuals in our society. *Dignity* and *individuality*—not to return to tribalism, as proposed by land rights—should be the hallmark of the future."

Mr Bob Riley speaking for the Aborigines said that the Hawke Government in Canberra was now *faced* with the prospect "that the coalition (Liberal National) parties regard (*opposition to*) Aboriginal land rights as an election winner," and that the pressure on the Federal Government to "prove its courage, integrity, and commitment will *grow correspondingly*."

However, Mr Hassell—*for one*—doubts whether Prime Minister Bob Hawke will move with alacrity on the land rights front: "He knows that if he tries to impose national uniform land rights legislation on this nation he will simply hasten the certainty and immediacy *of* his political demise," says Mr Hassell.

On February 4 this year, Mr Burke unveiled the major provisions of his land rights legislation, explaining that it would confer significant benefits on Aboriginal communities.

These included recognition *of long-term Aboriginal* reliance on or use of land, and replacement of the "current paternalistic system of ministerial control over reserves on which resident Aboriginals have only

Aborigines in WA, as elsewhere in Australia, are bitter about past treatment and dispossession. They say the white version of history is a lie. Yet recent attempts by the Burke Government to introduce a moderate Aboriginal Land Bill in State Parliament foundered, the Opposition leader claiming that once again, WA had been protected from 'extremist legislaton.'

advisory status and no security of tenure with a system where secure title and real control pass to local Aboriginal groups."

At the same time, the legislation would not disadvantage anyone who had existing or proposed rights over claimable land, *or* in land surrounding claimable land.

There would be no Aboriginal veto of mining and exploration. Access to land for mineral exploration and production would be maintained, while protecting sacred sites and living areas.

The principle of Crown ownership of minerals would be maintained. Compensation would be payable *for damage* to residential areas, but would not be linked to the value of the minerals or petroleum, or to spiritual or religious factors.

The land claimable by Aborigines would be vacant Crown land, original mission lands, and limited areas within pastoral leases. All would be held under freehold title, but would not be sold or mortgaged without ministerial consent.

In presenting his Bill to the WA Parliament, Mr Burke said it sought to "recognise Aboriginal *traditional* connections to land and to present the most disadvantaged group in our community with a tangible and secure base for their future development without harming anyone else."

He added: "The *Government's* view is that the proposal will be a positive step towards removing currently existiog oppressive elements of paternalism which are akin to a system of apartheid."

Mr Hassell and his Liberals fought the Burke land rights legislation every inch of the way. On February 9 Mr Hassell claimed that "Burke and his *socialist colleagues have set out* to divide Western Australia on racial grounds. They want to give away 40 per cent of your state to a group of people just because they are black . . . We will fight Burke and his *socialist allies* to preserve every one of the lm sq km of WA be plans to give away."

On March 26 in a speech *opposing the Land Bill in State* Parliameot Mr Hassell expounded his views at length, saying: "This Bill proposes land rights; sea rights; excision rights in relation to pastoral leases; national parks rights; reserves rights; pastoral lease rights, apart *from* excision rights; exemption from execution for debts or rates rights; exemption from payment of land tax rights; and mission land rights.

10 strands

"No fewer than 10 separate but important strands are contained in this Bill. Every one of those involves a very substantial commitment of the resources and entitlements of the commonality of the people of Western Australia to a minority of our population.

"Every one of those special sets of rights will, of itself, create *division* and *difference*. The combined operation of those 10 special rights will do no less than put back the advancemeot of Aboriginal people by literally generations."

In summary, Mr Hassell described the *proposed legislation* as "a major wrong-doing to Western Australia and, more particularly, to its future."

Yet what of the past? As a prelude to its Land Bill, the Burke Government commissioned an inquiry into Aborig*inal land rights* by Mr Paul Seaman, QC, wbo produced his report last September 17.

Early in his report, Mr Seaman refers to the Aborigines' "very deep sense of injustice about their past treatment and dispossession in this state," adding: "*It is plain to me* that Aboriginal people do not intend to be turned into models of *suburban white people*, but that they are desperate that the broader community should understand their position. They think our version of history is a *lie*, *and that when the true* history is known our attitudes, of which they are painfully aware, will change."

Chapter 12 of the Seaman report, therefore, is devoted to a brief history of the treatment of Aborigines in WA, written by the deputy commissioner, Mr Graham McDonald.

Relations between the *first* white settlers and the Aborigines were established, *says* Mr McDonald, on the pretence that WA was unoccupied, leading to the legal fiction that WA was being settled rather than con*quered*.

It was assumed that there was no system of Aboriginal landbolding, wbereas the reverse was the case, the right of property being well recognised and resources being jealously guarded, busbanded, and harvested.

The settlers dispossessed the Aborigines, *says* Mr McDonald, by direct physical violence, and then by restrictive legislative *and adminstrative means*.

As the number of settlers increased, *conflict* between settler and Aborigine became more widespread. In 1832, Capt Fremantle wrote that the campaign against the Aborigines "*has almost amounted* to a war of extermination . . . This is really the most awful warfare, but I am sorry to think at present necessary."

As the pearl shell *fishing* industry spread northwards from the Pilbara in the early 1860s, the pearlers forced Aboriginal men, women and *children to become divers*. Con*ditions on the boats were appal*ling; on shore, the women were used as prostitutes.

And so it continued, into the 20th century. Mr McDonald says that many acts of violence occurred in the lifetime of a number of witnesses to the Seaman Inquiry.

"A man speaking at the Drysdale River hearing said: 'We been bunt out. Our people *got shot: even the mustering* men. If we ran away the station people went after us and put a bullet in us like dogs . . . We lost our country through bullets, rifles and *chains*'."

The Aborigines "do not intend to be turned into *models of suburban white people*"

This year the gross value of the State's agricultural production will be more than A$2.5bn, about a fifth higher than the figure for last season.

Big drive for greater efficiency

Agriculture

MICHAEL THOMPSON-NOEL

DESPITE the glamour of the State's resource industries, farming remains a strong central pillar of the State's wealth. *In the past 15 years* the rapidly growing resource industries have reduced Western Australia's dependence on agriculture—and it was just as well *during* the drought years—but the reverse is also true.

The cyclical nature of the demand for metals means that farming will be called upon in many years *to support* the State when the mineral industries are struggling.

In broad terms the State's economy can be said *to* be divided into *three* parts, over a number of years roughly equal.

These are mining and farming, and the service industry which support these two.

Obviously a prosperous farming sector provides benefits which *flow rapidly* through to the rest of the community.

This year the gross value of the *State's* agricultural production will be more than A$2.5bn, about a fifth higher than the figure for last season.

The latest figure is a record, *and is particularly impressive* in view of the poor prices received *for some commodities*, (but of course also reflecting the weaker Australian dollar).

Western Australia *has* a farming profile quite different from the other major agricultural States. It has only 8 per cent of the nation's farmers, but produces 16 per cent of its rural products, indicating big properties, capital intensive agriculture and a relatively small number of hired employees.

Another interesting statistic is that the level of debt for Western Australian farms is double that of the Australian average, not necessarily a cause for alarm.

The reason for the high figure is the big size of West Australian farms and the fact that many of them are relatively recently developed and therefore *still* havee debt. The corollary to this is that, in good seasons, the average farmer has very high returns because of the big acreages.

Agricultural economists say that we will not see another development boom like the one which *occured* in Western Australia in the 10 to 15 years after World War Two, when new land was opened up often at a rate of a million acres a year.

It is now thought that little of the remaining marginal land is worth developing, particularly in view of the high cost structure of Australian agriculture.

The main thrust of *farmers* will be not to seek new land, but to either consolidate existing properties or to make *their* current operation more efficient.

The agriculture experts say that there is *still scope for* "fine tuning" farming, by devoting great care to many small details —*most of the big improvements* have already been carried out.

But this care with detail could considerably improve yields of some crops and there are figures to support this claim. Western Australia has always been a centre for agricultural research and there are some visible examples of this. For example, the Esperance region, now a sprawling agricultural area on the south coast, was for half a century regarded as having soils too poor for farming.

The advent of new technology, particularly in the addition of *nitrogen and a number of trace* elements, turned this into a green and prosperous land.

The use of lupins in order to add nitrogen to local soils, was pioneered in Western Australia and today lupins as a crops is a very important part of local agricultore.

Another more recent development is the export of live sheep, and Western Australia has provided about half the total exported from Australia in recent years. They are moved, in ships that carry up to *100,000* animals at a time, to the oil-rich States of the Persian Gulf.

The trend towards re-stocking *farms* with sheep has meant that there have been *fewer* available for the Middle East trade and the buyers have turned more to other parts of Australia.

In 1982-83 the State exported *3.2m live sheep*, but the figure would have fallen by up to a million last year. These figures compare with total Australian exports of about *7m* live sheep.

Discontent

A vast *rally* of farmers in Perth recently showed the discontent which has been *evident* across Australia with Government policies related to costs.

The weak local dollar will help them in the short term, but *they fear that this* will later lead to greater inflation in Australia, increasing their production costs at an even faster rate.

The State Labor Government, while having no natural affinity with the conservative farming community, has at least shown a willingness to listen to *the farmers'* problems.

The apparent solutions are national, rather than *local* in application. In a State which shows so much geographic diversity a primary producer can be a man with a million acres of *pastoral country*—not a ranch, but a "station"—in the wild Kimberleys, or an orchardist with a few hundred trees in the beautiful, undulating south-west.

More typically, he will be a wheat farmer with, say, 3,000 acres, and several thousand sheep, and it is this type of *agriculture* which is so efficiently carried out in Western Australia.

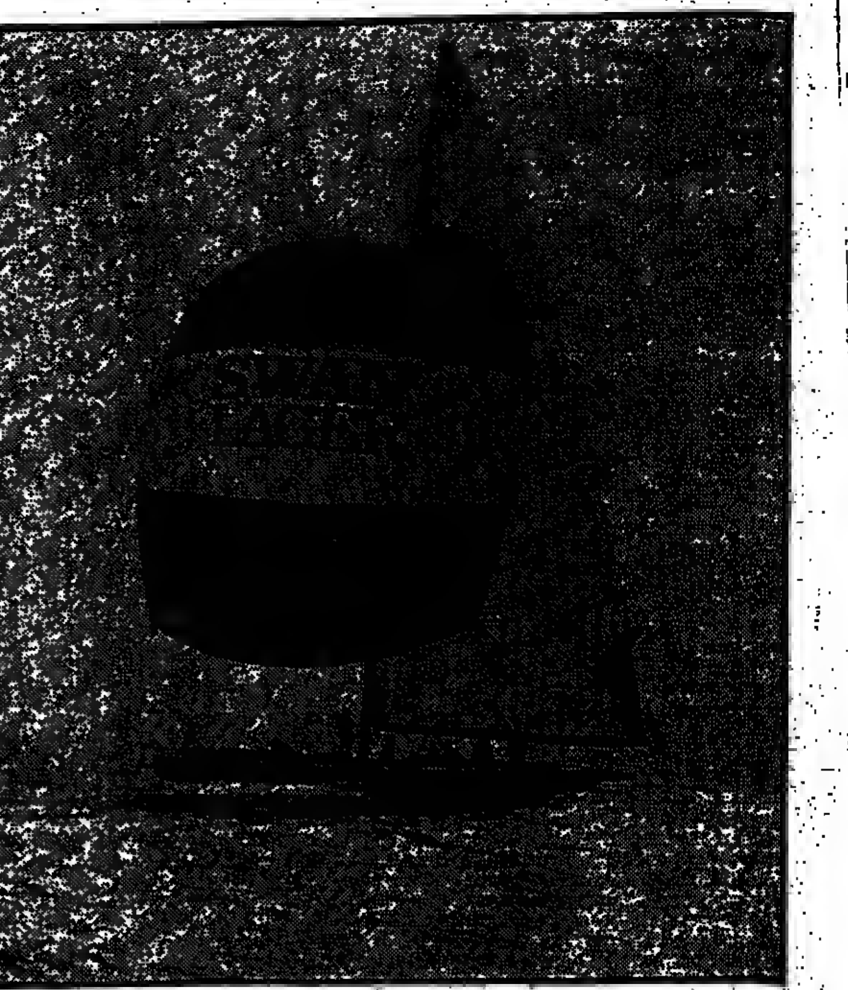
With the departure of long-reigning conservative governments, farmers *may* have lost some of their political power. However, the State Labor Government, with the exception of one issue related to mining, has shown no interest in re*moving* any of the staple privileges that country people enjoy in Western Australia (such as power tariffs, heavily subsidised, which are the same as in the city).

While Labor will never gain many votes from farmers, they are still powerful *enough* to be formidable enemies, a prospect to be avoided.

The State's demographic paradox is part of this political dilemma—farmer owners make up *less* than 1 per cent of Western Australia's population, and nearly two-thirds of it lives in the city of Perth. Yet the gerrymandered country electorates continue *to* hold great power.

WESTERN AUSTRALIA 8

Perth's 1986-87 defence of the America's Cup promises to be the State's biggest sporting and corporate party. Millions will be spent, on and off the water. Michael Thompson-Noel reports from Perth



LEFT: Victorious Alan Bond with the America's Cup in 1983. RIGHT: The successful wing-keeled Australia II

The Cup challenge runneth over

IT WAS CLEAR from the beginning that the 1987 *America's Cup* match off Fremantle, near Perth, was going to be a big affair, with an unprecedented 24 challengers from nine countries paying an initial A$12,000 deposit each by April last year.

There were ten from the U.S., headed by the New York Yacht Club, which lost the Cup to Perth; two from Canada; three from France; four from Italy, including the Yacht Club Costa Smeralda of Sardinia, backed by the Aga Khan and designated by the Royal Perth Yacht Club as the challenger of record, which means it will run the challenger eliminations; and one each from Germany (Potsdamer Yacht Club), New Zealand (Royal New Zealand Yacht Squadron), Sweden (Marstrand Yacht Club), Switzerland (Société Nautique de Genève), and UK (Royal Thames Yacht Club).

When you talk America's Cup, you're talking telephone numbers, which is why the original estimate—that the foreign challengers would between them stump up around A$200m (£108m)—gained currency.

Nor was it far-fetched. The Aga Khan's syndicate, backed by Fiat and the Italian Government among others, is said to have already raised about US$12m, while the British seem confident of producing almost £6m, much of it from front-rank sponsors.

Similarly, the New York YC has said that it is prepared to spend "whatever it takes" on its campaign, which is reckoned to mean US$10m-plus.

Headaches

In contrast, the Eagle syndicate from the Newport Harbour YC, south of Los Angeles, led by California sailmaker Rod Davis, has a budget of only US$ 6m. "I can't figure out," says Mr Davis, "how come the others want to spend so much money. We only plan to build one boat. The more boats you build, the more headaches increase."

At present, Cup organisers in Perth say they expect an upper limit of 16 foreign challengers, complete with back-up and retinues, and a lower one of 12.

As for the would-be defenders, they say between four and six Australian syndicates may make it to the elimination series in late 1986 that will produce the official challenger and defender. However, three to four Aussie boats seems more likely.

In most minds, Australia's wresting of the America's Cup in 1983 is indelibly linked with the names of three men: Perth entrepreneur Alan Bond, who masterminded the challenge; helmsman John Bertrand; and Australia II designer Ben Lexcen, whose wing-keeled wonder was devastated by equipment failures in the first two races of the sail-off against American defender Liberty, won the third, lost the fourth, won the next two races to level the score at 3-3, and then sailed into legend by charging past Liberty to win the seventh race—and the Cup.

Although Bondy won the Cup, it is by no means certain which Australian boat will defend it in 1987.

At one stage, it was blandly assumed that there would be some sort of national effort to defend the Cup; that sectional and state interests would be put aside and that the flag of Australian nationalism would flutter proudly over a single collective effort.

In retrospect, says Bruce Stannard, the most distinguished of Australia's Cup chroniclers, those hopes now seem naive. In The Bulletin magazine last month, Stannard reported that syndicates in Queensland, Victoria, Tasmania and WA had already fallen by the wayside because of lack of funds.

However, at least three Aussie syndicates are certain goers. Bond will produce Australia III, designed by Lexcen. Cup veteran Sir James Hardy has produced South Australia, another Lexcen design. And a third syndicate, Task Force 87, financed by Perth retail supremo Kevin Parry, has built Kookaburra, which may be followed by Kookaburra II, and maybe III, all for about A$10m, just as Bondy will build two or possibly three boats for his challenge, costing maybe A$12m.

Although it is generally assumed that Bond's Australia III will have little difficulty dealing with Port Adelaide's South Australia, it now appears that Kookaburra I—bulbous winged keel and all—is perhaps impressively faster than Australia II, which was recently back on the water as *a workhorse for South Australia.*

Construction under way for the $A100m Observation City hotel and leisure development at Scarborough Beach, just north of Perth. Offering views of the 1987 America's Cup it is scheduled for completion in September 1986.

Humiliate

"Although the Cup races are still two years off," reports Mr Stannard, "the men behind Australia II and Kookaburra are doing their level best to humiliate, disparage and generally discredit each other. At the centre of all this malevolence is the same ingredient that started it all in 1851: money, lots and lots of money."

One way or another, Mr Bond seems bound to reap a dollar or two from the Cup defence. Bond Corporation interests include resources, brewing, media, property, retailing and investment. Austmark International, a major property arm of Bond Corporation, has a clutch of developments underway, while Mr Bond will undoubtedly use the Cup extravaganza as a ready-made platform on which to clinch deals—as will other sponsors, backers, and interested parties, some of whom are readying lavish corporate junketing.

The fashion in Perth at present, at least in some circles, is to claim that benefits and spin-offs from the America's Cup will be *"localised,"* whatever that means, though in slighting the Cup some of the people I spoke to displayed ignorance of Cup ramifications, and indifference to the intense excitement it seems bound to generate.

On most counts, the Cup should prove a major boost to WA tourism, with the WA Tourist Commission estimating that WA could receive almost 1m visitors in Cup year—the number of international visitors more than doubling from 175,000 in 1983-84 to 375,000 in 1986-87, and visitors from other parts of Australia totalling 600,000.

Direct visitor spending in 1986-87 is estimated at more than A$600m with the indirect value boosted to around A$1.5bn.

Seven major new hotels have recently opened in Perth, or are being built, costing more than A$150m and adding 1,200 rooms to the 4,200 already available in the city and inner suburbs. Tourist-related development worth more than A$1.5bn is planned in WA, with proposed developments over the next few years expected to provide an additional 4,000 jobs.

Major construction projects underway or planned include a A$300m hotel-casino, Bond Corporation's A$120m, 50-storey Palace Tower in Perth, and its A$100m Observation City project at Scarborough, near Perth, an international terminal at Perth airport, a resort and residential complex north of Mandurah, and so on.

A deadline

Many of these projects were already on the drawing board when the Bond syndicate won the Cup in 1983. "Winning the Cup, and getting ready to defend it, has created a deadline for a whole range of projects," says one organiser. "One of the Cup's main roles is that of catalyst."

WA State Government funding of tourism was boosted by 80 per cent in 1984-85. A Tourism Commission was created, with a full-time representative for North America. A second airline (Skywest) was given the go-ahead to operate on WA's busiest internal routes. And the Federal Government in Canberra is providing up to A$300m over the next three years to help maximise benefits arising from the America's Cup, and help minimise any detrimental impact on Fremantle.

One way or another, it should be quite a party.

FINANCIAL TIMES, 8 MAY 1985

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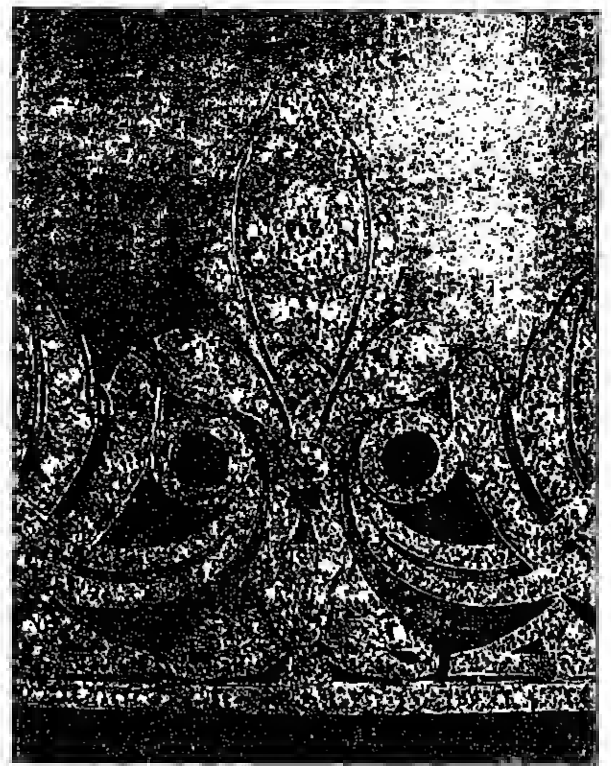
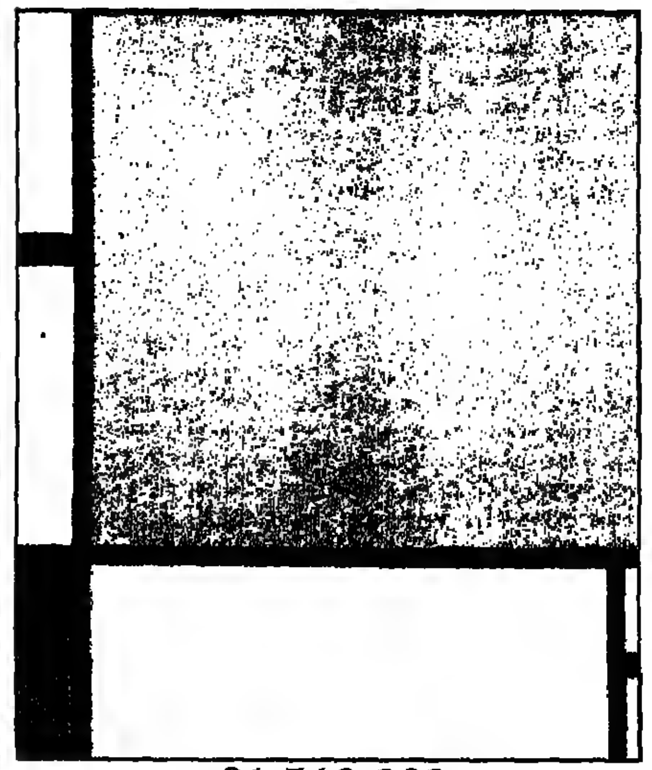
THE FINE ART OF CHRISTIE'S



Swfr. 132,000.

£324,000.



£1,512,000.

$57,200.

£3,564,000.

£108,000.

$4,290,000.

$19,500.

£1,404,000.

ROME

Important Old Master and 19th Century Pictures

Thursday 16 May

Alessandro Milesi: La Calle, signed, oil on canvas, 150 by 110cm.

Enquiries: Prof. Giovanni Godi

Palazzo Massimo Lancellotti,
Piazza Navona 114, Rome 000186.
Tel: (396) 654 1217

AMSTERDAM

Fine Old Master Pictures and Miniatures
Important Old Master Pictures

Tuesday 21 May

Jacob van Walscapelle: Still Life, signed and dated 1681, oil on canvas, 102.5 by 89cm. From the collection of Jonkheer P. H. van de Wall Repelaer van Puttershoek, Puttershoek.

Enquiries: Drs. Marina Aarts

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CHRISTIE'S SOUTH KENSINGTON

Papier Mâché and Toleware

Wednesday, 22 May

Papier mâché tray by B. Walton & Co., painted with a scene entitled *The Happy Meeting*, after George Morland.

Enquiries: Santiago de Barry

85 Old Brompton Road, London SW7 3JS Tel: (01) 581 7611

THE FINE ART OF CHRISTIE'S

The Sales — at Christie's

Christie's—the finest name in Fine Art Auctioneering since the Firm's foundation in London in 1766—is delighted to present to readers of the Financial Times International Edition a survey of the superb works of art we shall be offering for sale in Europe and the United States during the next few weeks.

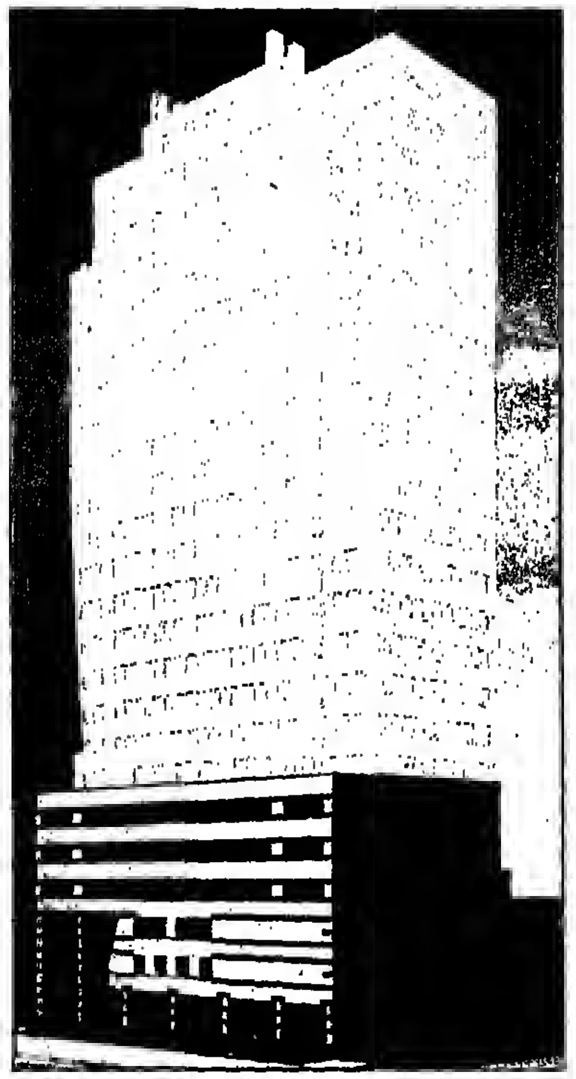
The early summer is traditionally the peak of our activities in New York, and has for the last fifteen years been the time of one of our twice-yearly weeks of sales held at the Hotel Richemond in Geneva. Sales in London follow on these events, clustering around strawberries-and-cream time, to the traditional background of Wimbledon, Ascot and the Royal Academy Summer Exhibition. The auction season closes at the end of July, although our salerooms at South Kensington, and in Glasgow bravely hammer on through the sometimes elusive British summer heat.

The works of art illustrated here can only show the smallest sample of the riches on offer. A visit to any of our salerooms will reveal the full picture, and we welcome most warmly any readers who plan a closer look at Christie's. It could be rewarding, and is certain to be interesting. At any saleroom or representative office you will find the courteous, enthusiastic and experienced help for which Christie's is famous. Enthusiasm is something that we who are fortunate enough to work with works of art of this calibre are eager to share. We really welcome prospective clients, whether purchasers at these or other sales, or consignors for future sales. A form to help you get in touch is available at the back of this publication.

Christopher Burge, President, Christie's New York

The Hon. David Bathurst, Chairman, Christie, Manson & Woods, London

Mr. J. A. Floyd, Group Chairman



The Delmonico Plaza

The News — at Christie's

May 8th is an important day in Christie's history, as it sees the official opening of our splendid new premises in New York.

Adjoining and extending our offices on Park Avenue at 59th Street, the newly built salerooms, warehouse and office space occupy the lower floors of a new 24-storey building, the Delmonico Plaza. They will result in an expansion of over two-thirds in our total space, and will increase the total capacity of our salerooms to 1200 people for important evening sales. Such an event, the sale of twenty Highly Important Paintings by Old Masters from an American Private Collection, will launch the new saleroom in magnificent fashion tomorrow, 9th May.

We at Christie's believe that this dramatic enlargement of our New York operation further demonstrates our faith in that buoyant and important market and in our central position in it. Funded wholly from internal resources, Christie's Park Avenue gives our clients what they want: the best premises in the best position in one of the world's two best auction markets—New York.

In the other, London, the Chairmanship of Christie Manson & Woods Ltd., the St. James's saleroom, has been taken over by the Hon. David Bathurst, for seven years President of the New York company. Christopher Burge, formerly Head of Impressionist and Modern Paintings, succeeds him there.

The Results — at Christie's

A month ago in London, Christie's International plc, the only quoted Fine Art Auction company, announced the Results for 1984. Profit before tax nearly doubled at £17.25 million (1983, £9.74m) and a final dividend recommended raises total payment for the year by nearly 30 per cent to 11p per share (1983, 8.5p). A one-for-one scrip issue is proposed.

Mr. J. A. Floyd, Group Chairman, said in his Statement to shareholders that '. . . the international art market continues to be buoyant and we will soon begin to see the benefits of our recent capital expenditure. Therefore I am confident that with our emphasis on service and expertise the results for 1985 will again be satisfactory'.

We at Christie's hope you will enjoy this foretaste of sales to come, which we present to you with pride — and enthusiasm.

1	2	3
4	5	6
7	8	9

Key to front cover illustrations

1 Diamond tiara given by King Alfonso XIII to his wife, Queen Victoria Eugénie on the occasion of their marriage in 1906. Sold on 24 November 1984 in Geneva for Swft. 132,000.

2 Free-blown and cameo-carved glass flask, 25 B.C. to A.D. 25, 7.6cm. high. Sold on 5 March 1985 in London for £324,000.

3 Piet Mondrian: Composition with Red, Blue and Yellow, oil on canvas, 51 by 51cm. Sold on 27 June 1983 in London for £1,512,000.

4 Tiffany favrile glass and bronze *Begonia* lamp, 48.9cm. high, 33cm. diameter of shade. Sold on 30 March 1985 in New York for $57,200.

5 Raffaello Sanzio, called Raphael: *Studies of a Man's Head and Hand: auxiliary cartoon for the Transfiguration*, black chalk, 36.3 by 34.6cm. Sold on 3 July 1984 in London for £3,564,000.

6 George III gold cup, presented to Sir Robert Wigram by the officers and men of the Sixth Regiment of Loyal London Volunteers, by Digby Scott and Benjamin Smith, 1806, 25.5cm. high. Sold on 27 March 1984 in London for £108,000.

7 Pablo Picasso: Femme Assise au Chapeau, signed, painted in 1923, pastel and charcoal on canvas, 130.8 by 97.8cm. Sold on 13 November 1984 in New York for $4,290,000.

8 Louis XVI giltwood chaise, circa 1769, made for Mme. du Barry by Louis Delanois for the Pavillon at Louveciennes. Sold on 21 November 1984 in New York for $49,500.

9 Joseph Wright of Derby, A.R.A.: Mr. and Mrs. Thomas Coltman about to set out on a ride, oil on canvas, 127 by 101.6cm. Sold on 23 November 1984 in London for £1,404,000.

LONDON

Important Islamic, Indian and South-East Asian Manuscripts, Miniatures and Works of Art

Thursday, 4 July and Friday, 5 July

Important Continental Ceramics

Monday, 1 July

To left: Portrait of Ginghiz Khan by Mihr 'Ali, Isfahan, AH 1218/AD1803–4, 289 by 133cm. One from a series of life-size historical portraits of the rulers of Persia which for the last 150 years was believed to no longer exist. The series was commissioned from the principal royal portraitist, Mihr 'Ali of Teheran, by Fath 'Ali Shah Qajar, for the Imarat-i-Naw Palace at Isfahan.

Enquiries:
Philippa Vaughan

To right: Böttger polished red stoneware coffee-pot and cover, circa 1715.

Enquiries:
Hugo Morley-Fletcher

Important French Furniture

Thursday, 20 June

Louis XIV boulle centre table, 114.3cm. wide. Pair of Louis XIV boulle torchères, 128.8cm. high.

Enquiries: Hugh Roberts

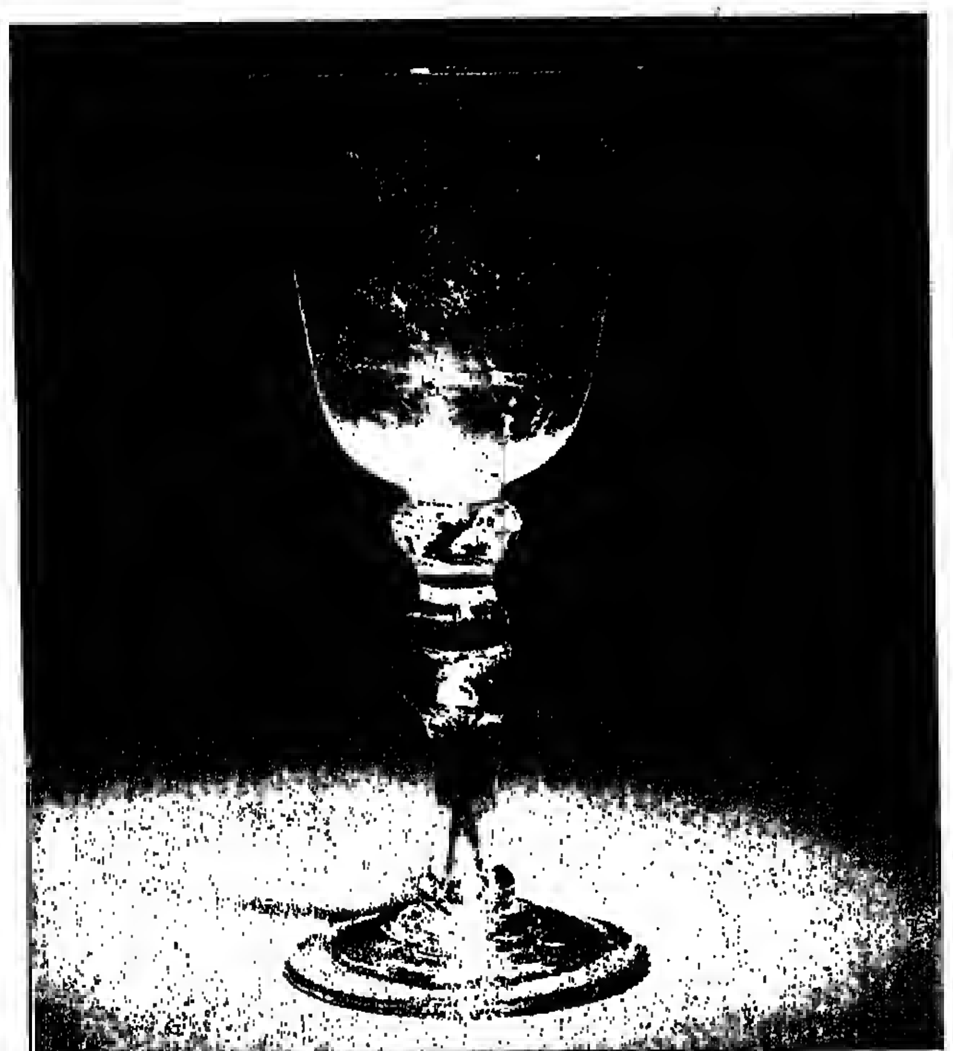
8 King Street, St. James's, London SW1Y 6QT Tel: (01) 839 9060

هكذا من الأصل

LONDON

English & Continental Glass & Glass Paperweights

Including the Bradford Collection of 18th Century
Dutch Engraved Glass
Tuesday 4 June at 10.30 a.m.



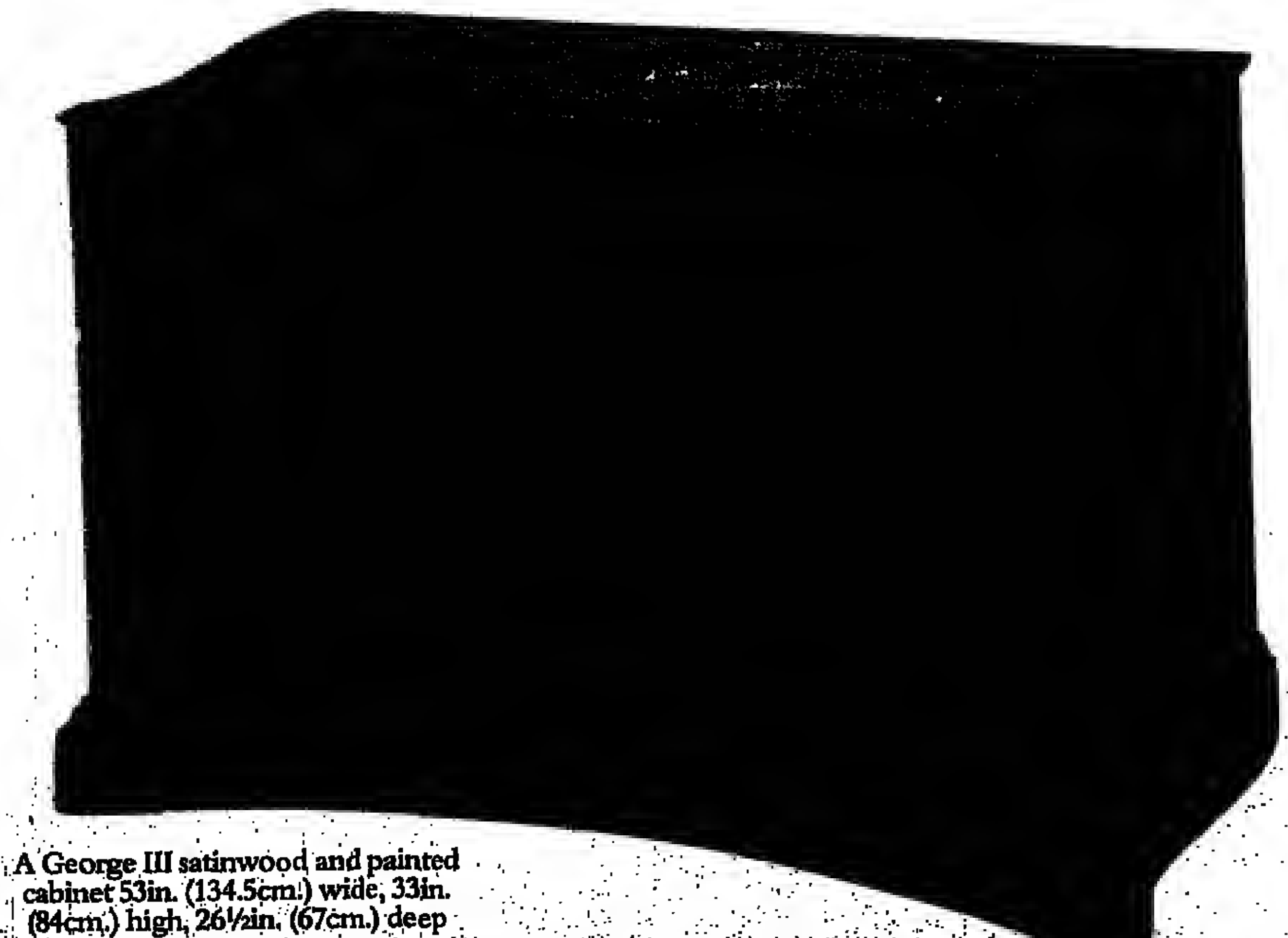
A stipple-engraved dated armorial goblet by David Wolff, 1784—from a set of twelve commemorative goblets dating between 1762 and 1784 commissioned for the Waterkeepers of the town of Heusden, South Holland. 19.2cm. high.

Royal Armorial goblet enamelled by William Beilby, the reverse inscribed Succefs to the African trade of WHITE-HAVEN, signed Beilby jun^r inv^t. & pinx^t., circa 1762, 25cm. high.

Enquiries: Rachel Russell

Important English Furniture

Thursday 27 June at 11 a.m.



A George III satinwood and painted cabinet 53in. (134.5cm.) wide, 33in. (84cm.) high, 26½in. (67cm.) deep

Enquiries: Hugh Roberts

8 King Street, St. James's, London SW1Y 6QT   Tel: (01) 839 9060

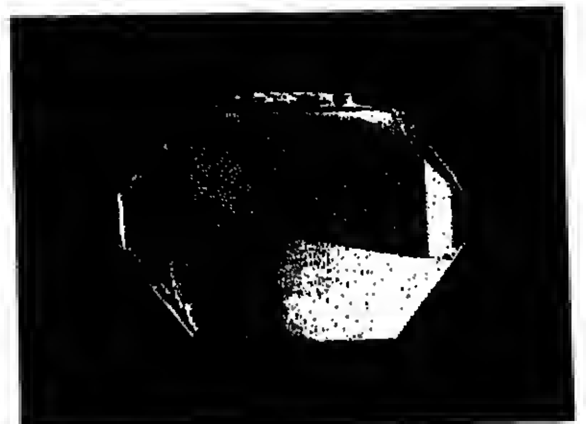
GENEVA

At the Hotel Richemond

Magnificent Jewels

Thursday 16 May at 10 a.m., 3 p.m. & 8 p.m.

A superb pear-shaped diamond of 55.91 cts.



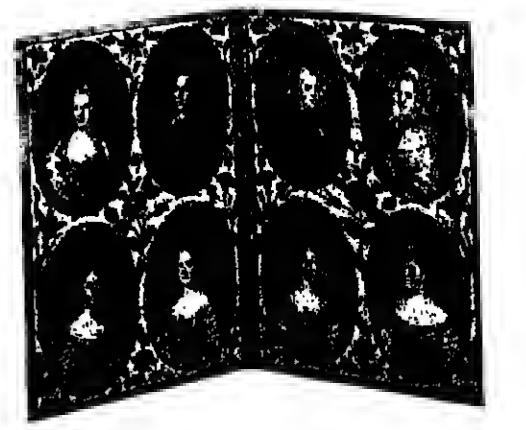
An historical Moghul period table-cut diamond of 56.71 cts.

An important antique emerald and diamond necklace and a superb antique emerald brooch of 24.62 cts. (illustration shown reduced)

Highly Important Gold Boxes

Tuesday 14 May at 8 p.m.

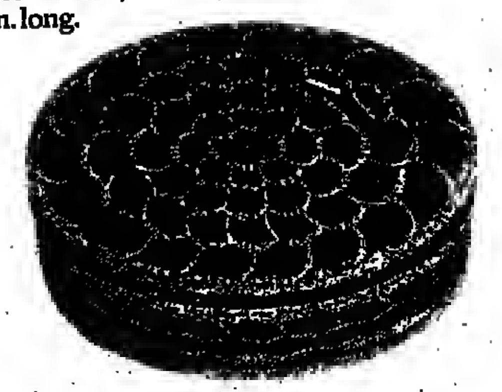
Louis XV gold automaton snuff-box set with miniatures under glass, by Jean-François Garand, Paris, 1770-1773, with the charge of Julien Alaterre and the décharge of Jean-Baptiste Fouache, 8cm. long.



Louis XV Carnet, of Japanese lacquer mounted in gold set with miniatures, Paris, 1750, with the charge and décharge of Antoine Leschaudel, 14.5cm. long.

The Esterházy Box, chased with views of St. Petersburg, probably by Jérémie Pauzié, presented by Empress Elizabeth of Russia to Count Nicolaus Esterházy in 1761, 9.3cm. long.

Swiss enamelled gold & pearl-set singing-bird basket, signed Frisard, circa 1800.



Gold & hardstone snuff-box, by Christian Gottlieb Stiehl, Dresden, 1775, with a secret compartment containing a catalogue of all the stones used in the box, 7.5cm. long.

Saturday 11 at 6.30 p.m.
Fine & Rare Wines
Enquiries: Duncan McEuen (London) or Mary Gavot (Geneva).

Sunday 12 at 2.30 p.m., 3.30 p.m. & 7.30 p.m.
Art Nouveau & Art Deco
Enquiries: Georges de Bartha (Geneva).

Monday 13 at 11 a.m.
European Porcelain
Enquiries: Hugo Morley-Fletcher (London).

Tuesday 14 at 3 p.m. and Wednesday 15 at 10.30 a.m.
Objects of Vertu, Watches,
Fine Russian Works of Art and Fabergé
Enquiries: Alice Ilich (London) or Mary Gavot (Geneva).

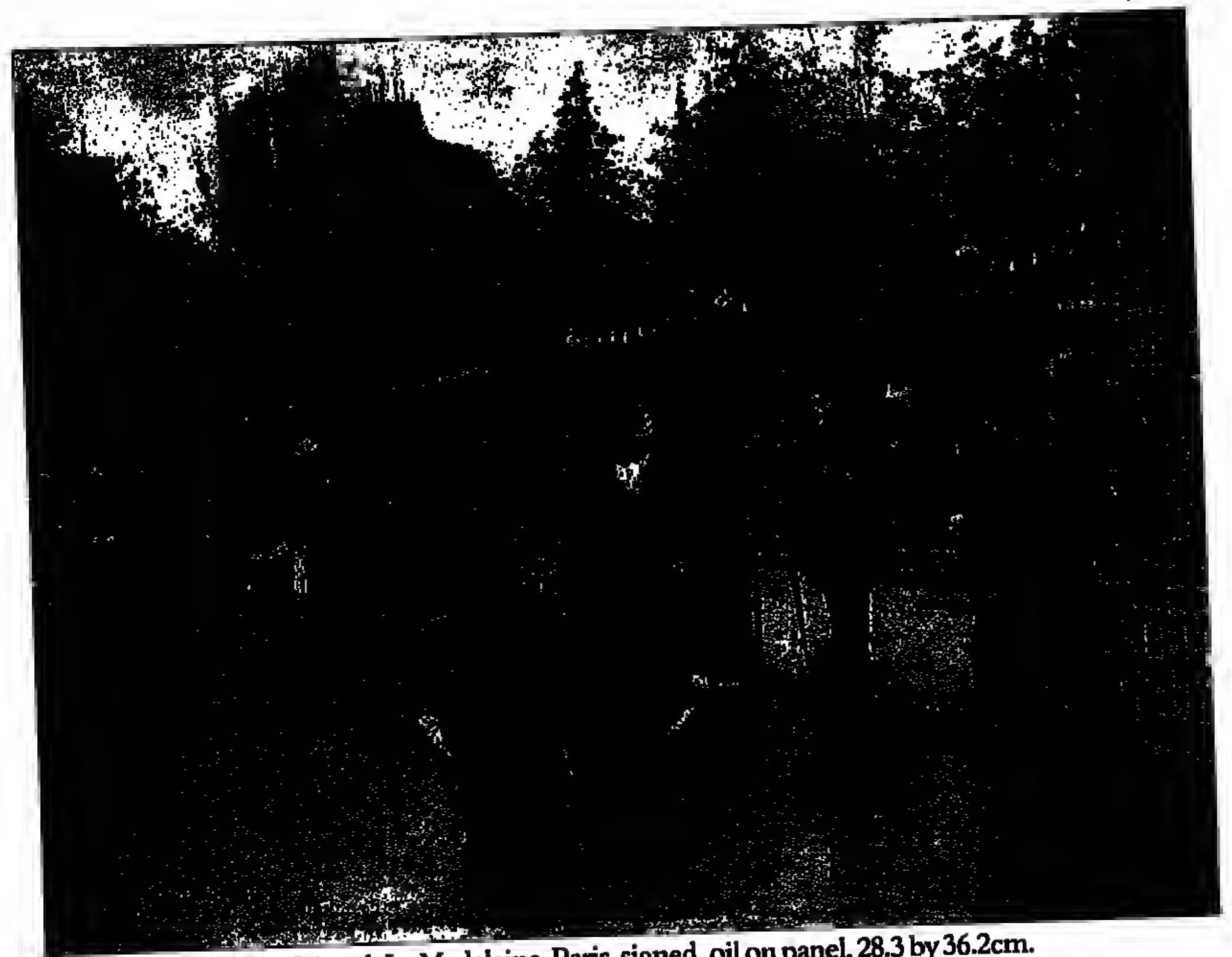
Wednesday 15 at 7 p.m.
Highly Important Silver
Enquiries: Richard Stern (Geneva) or Alaine Zammit-Cutajar (Geneva).

8 Place de la Taconnerie, 1204 Geneva. Tel: (4122) 28 25 44

NEW YORK

19th Century European Paintings, Drawings and Watercolours

Friday 24 May



Jean Béraud: La Madeleine, Paris, signed, oil on panel, 28.3 by 36.2cm.

Enquiries: Peter Villa

At the Casino Club, Chicago

Fine and Rare Wines

Thursday 6 June

Left to Right: La Tâche, Domaine de la Romanée-Conti 1953; magnum of Château Mouton-Rothschild 1953; double-magnum of Château Margaux 1953; magnum of Cos d'Estournel 1949; Château Mouton-Rothschild 1959; Château Mouton-Rothschild 1945.

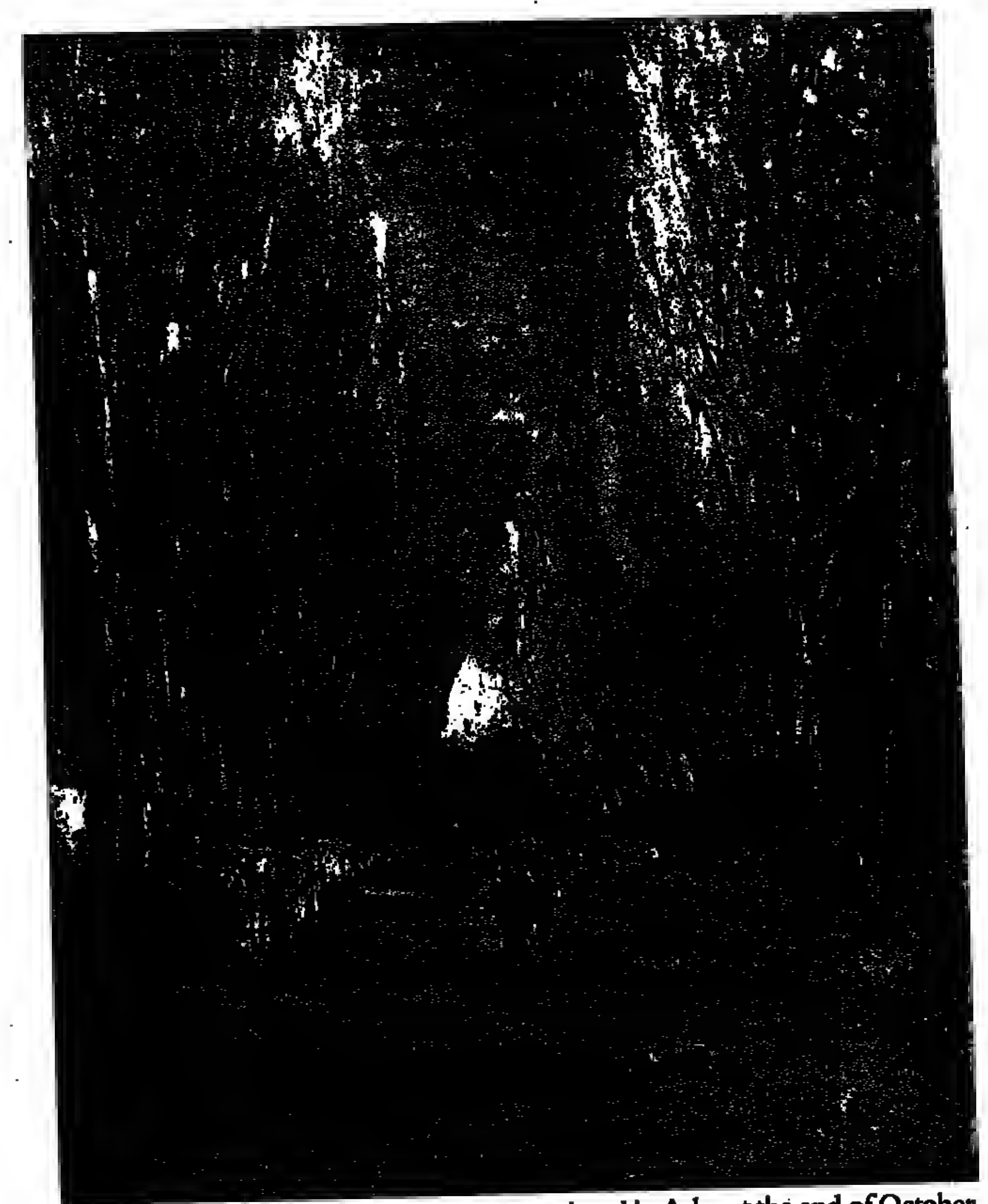
Enquiries: Jacqueline Quillen

502 Park Avenue, New York, N.Y. 10022 Tel: (212) 546 1000

NEW YORK

Impressionist and Modern Paintings and Sculpture

Wednesday 15 May



Vincent van Gogh: Allée des Alyscamps, painted in Arles at the end of October 1888, oil on canvas, 92 by 73.5cm.

Paul Gauguin: Conversation, Tropiques or Negresses Causant (I), signed and dated 87, oil on canvas, 61.5 by 76cm.

Enquiries: Michael Findlay

502 Park Avenue, New York, N.Y. 10022 Tel: (212) 546 1000